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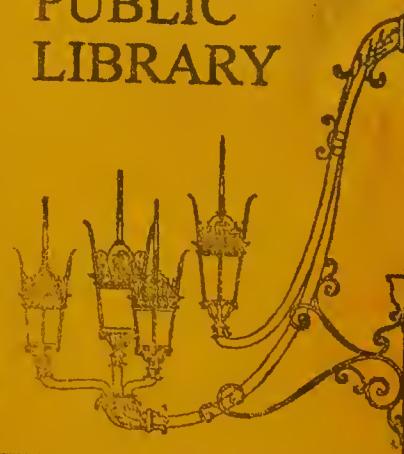
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Institutional Property Tax Exemptions in Massachusetts

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Institutional
Property Tax Exemptions
In
Massachusetts

December 1971



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FOREWORD

The Massachusetts Constitution gives to the Legislature blanket authority to levy property taxes provided they are "reasonable and proportional." Under this authority the Legislature has passed laws providing that all property shall be taxed unless specifically exempted. Over the years, various classes of property have been granted tax exemption, mainly for three reasons:

First, because of the circumstances of individual owners (e.g., old age, poverty, war-incurred disability);

Second, because the property is being taxed in some other more efficient or fair way (e.g., automobiles, merchandise, machinery, intangible property such as money or bonds); and

Third, because the property is publicly owned or is being used in various meritorious ways to serve the public interest (e.g., public buildings, parks, schools, hospitals, churches).

This study focuses on the third of these categories -- property directly serving the public. In recent years, many exemptions of this institutional type, especially those given to churches, schools and colleges, have been under heavy fire. They have become particularly controversial in Massachusetts and the City of Boston because of large concentrations of educational and medical institutions and because of the state's excessive reliance on property taxes as a source of local revenue. Aggravating the problem has been a tendency in some communities to make exempt property a scapegoat for more deep-seated financial difficulties.

The present study deals with the legal basis of institutional tax exemptions in Massachusetts and other states, the extent and value of exempt property, the reliability of this data, the types of organizations and institutions which are receiving exemptions, and administrative practices in the granting of exemptions.

Future study will concentrate on the costs and benefits of exempt institutions to the state and to the cities and towns in which they are located, in answer to the questions: Are these institutions, on balance, a burden to their cities and towns? If municipal costs are assessed on them, who will ultimately pay these costs? Should the costs be spread over larger geographic areas?

The Massachusetts Taxpayers Foundation gratefully acknowledges the co-operation of the Association of Massachusetts Assessors, many local assessors, and members of other governmental and private agencies who supplied so much to this project. The assistance of the Bureau of Planning and Research in the Department of Corporations and Taxation was particularly helpful.

The preparation of this report was the primary responsibility of Edward H. Dlott, Research Associate for the Foundation.

INTRODUCTION: THE MASSACHUSETTS PROPERTY TAX

Article X of the Declaration of Rights of the Massachusetts Constitution grants every individual the right to be protected ". . . in the enjoyment of his life, liberty and property, according to standing laws."^{1/} Consequently, the article provides that each individual is obligated". . . to contribute his share to the expense of this protection;" This is a philosophical justification of the power of the State to levy taxes. It asserts the obligation of each citizen to contribute to the costs of government. To put this obligation into more concrete terms, the Constitution grants authority to the General Court to levy a tax on property:

And, further, full power and authority are hereby given and granted to the said general court, from time to time . . . to impose and levy proportional and reasonable assessments, rates, and taxes, upon all the inhabitants of, and persons resident, and estates lying, within said commonwealth.^{2/}

These provisions reaffirm the inherent power that the State already enjoys. It is an established principle of constitutional law that the power of taxation is an essential attribute of sovereignty, and is not dependent on a specific constitutional grant of power. Constitutional provisions relating to taxation are not really grants of power, but rather limitations on the power to tax.^{3/}

As a result of these constitutional provisions, it is the policy of the Commonwealth that all property shall contribute to the costs of government. Consequently, Chapter 59, section two, of the General Laws provides that:

All property, real and personal, situated within the commonwealth and all personal property of the inhabitants of the commonwealth wherever situated, unless expressly exempt, shall be subject to taxation. . . .

Consistent with the constitutional provisions, the property tax is based on the theory that ". . . the benefit which each person derives from the Government has direct relation to the amount of property which he possesses and enjoys under its sanction and protection."^{4/} Sections three and four of Chapter 59 specifically establish which property shall be subject to taxation, and subsequent chapters deal with the administration of the property tax.

FOOTNOTES

1. Constitutional provisions are quoted from the Massachusetts Constitution contained in Annotated Laws of Massachusetts (1967).
2. Massachusetts, Constitution, Part II, c. 1, s. 1, art. 4.
3. Philip Nichols, Taxation in Massachusetts (3rd ed.; Boston: Financial Publishing Company, 1938), p. 19.
4. Oliver v. Washington Mills, 93 Mass. (11 Allen) 268. (1865).
5. Theoretically, the cities and towns do levy and collect a second tax, the motor vehicle excise. This tax is a form of local property tax because it is based on the value of the vehicle, and the payment is made directly to the city or town. However, the state Bureau of Accounts recognizes only one local tax because the law refers to the motor vehicle excise as a charge for the privilege of operating an automobile upon the public highways. See Elwyn E. Mariner, This is Your Massachusetts Government (6th ed.; Arlington Heights: Mariner Books, 1970), p. 61.
6. Massachusetts, Constitution, Part I, art. XXIII.
7. Massachusetts Master Tax Plan Commission, Tentative Proposals for a Master Tax Plan for the Commonwealth (October, 1970), p. 12.
8. Massachusetts Taxpayers Foundation, Massachusetts Tax Primer (2nd ed.; Boston, 1970), p. 17.

LEGAL ASPECTS

Constitutional Basis

The Massachusetts Constitution, unlike the constitutions of most other states, makes no mention of property tax exemptions other than those granted to Harvard College. 1/ This, however, does not mean that the Legislature has no power to grant exemptions. The power to tax is regarded as an essential attribute of sovereignty, and constitutional provisions relating to taxation merely operate as restraints on that power. Therefore, with nothing in the Constitution to the contrary, the power to exempt from taxation has been regarded as an attribute of sovereignty as well. It has become a basic legal principle that:

The power to exempt from taxation is an essential attribute of sovereignty, and where not prohibited or restricted in its exercise by constitutional provisions, the legislature of a state has full power to exempt any persons or corporations or classes of property from taxation. 2/

By judicial interpretation in Massachusetts, it has been settled that the Legislature does have the power to grant exemptions from taxation provided that they are reasonable. The Supreme Judicial Court has held that the power of the Legislature to grant property tax exemptions for public purposes is broad, and all manner of reasonable classifications to that end may be made. The Court has held that the constitutional provision affirming the duty of individuals to contribute to the costs of government and the requirement that taxes on property be reasonable and proportional do not preclude reasonable exemptions from local taxation. 3/

The Court, however, has relied on some constitutional provisions to buttress its arguments confirming the power of the Legislature to grant exemptions. Chapter V, section II of the Constitution provides for the encouragement of literature, education and science by the State. It says that it is the duty of the Legislature:

. . . to cherish the interests of literature and the sciences and all seminaries of them; especially the university at Cambridge, public schools and grammar schools in the towns; to encourage private societies and public institutions, rewards and immunities, for the promotion of agriculture, arts, sciences . . . to countenance and inculcate the principles of humanity and general benevolence, public and private charity, industry and frugality . . . 4/

The Court refers to the constitutional provision encouraging these virtues and principles in upholding the power of the Legislature to grant exemptions.

As taxation of the people may be imposed for these objects, property used for literary, educational, benevolent, charitable or scientific purposes may well be exempted from taxation. Such exemptions do not prevent the taxation of the people from being proportional or equal. 5/

Similarly, the Court has legitimized the exemption granted to houses of religious worship by referring to Articles II and III of the Preamble to the Constitution. These articles establish the right and duty of all men to worship God and confirm public worship of God and instruction in religion as promoting ". . . the happiness and prosperity of a people and the security of a Republican Government." 6/

Strict Interpretation

Though the Court has acknowledged the broad power of the Legislature to grant exemptions, it has generally given a strict and literal interpretation to the exemption statutes. The Court's rule has been that the burden is always on the taxpayer to show that he is entitled to an exemption. 7/ Taxation is the rule, and exemptions are the exception, and are to be strictly construed. 8/ The Court has emphasized that a tax exemption is a matter of special favor or grace to be recognized only where the individual or property falls clearly and unmistakably within the express words of the legislative command. 9/ In the numerous cases dealing with the eligibility of property for an exemption, the Court has generally adhered to these principles.

Early History

Massachusetts exemption laws developed early as a carryover from colonial practices and have shown few major changes in modern times, despite the fact that the tax exemption problem has been recognized for a great many years. During the colonial period, the granting of exemptions from taxation was a common practice. They were granted to individuals whom the assessors considered unable to pay their taxes because of age, poverty or disability. A law permitting assessors this judgment still exists today. Some charitable and educational corporations which existed in the colony were granted exemptions in their charters, and it was a fairly common practice to exempt churches, schoolhouses, turnpikes and property devoted to public use. The exemptions which were granted to Harvard College were incorporated into the Constitution in 1781. The early tax acts also exempted specific property such as the estates of Williams and Amherst Colleges, the Massachusetts General Hospital and the Boston Athenaeum. 10/

The early tax acts passed in the 19th Century formed the basis of present day exemptions. The act of 1821 established the exemption for houses of religious worship in substantially its present form, as well as exempting household furniture, clothes, farming utensils and the necessary tools of

mechanics. In the statute of 1836, the exemption of literary, charitable and scientific institutions was put into general form and the exemption of federal and state owned property was recognized. The exemption granted to cemeteries appeared in 1841, the one to fraternal societies in 1917, and the one to religious organizations in 1918. 11/

Authority for tax exemptions in Massachusetts is contained in general laws, special acts and judicial decisions. The statutory exemptions have been subjected to a long course of judicial interpretation. Most of the statutory provisions are contained in General Laws, Chapter 59, section 5.

Property of the United States

The first broad category of property with which the exemption statute deals is public property. Clause 1 of the statute exempts from taxation property of the United States as far as such taxation is prohibited under the United States Constitution, unless Congress has authorized such taxation. This clause affirms the federal prohibition against this type of taxation as interpreted by the United States Supreme Court. Under the Court's doctrine of intergovernmental immunity, which is based on the supremacy clause of the Constitution, 12/ property owned by the United States is exempt from state and local taxation unless expressly authorized by Congress. 13/

An important question which arises under the intergovernmental immunity doctrine is whether property owned by the United States and leased to a private commercial enterprise is subject to local taxation. The United States Supreme Court, in a series of cases upholding a Michigan statute which authorizes such taxation, has held that a state or one of its municipalities can levy a tax on a private party leasing property owned by the United States. The tax is a valid one even if it is on a private company doing work under contract with the Federal Government. The Court held that such taxation was a tax on the use of the property rather than a tax on the property itself. It was viewed as a tax on the leasehold interest of the party using the property. 14/ However, as yet, there is no Massachusetts statute which permits such taxation unless expressly authorized by the Congress. Under existing Massachusetts law, land owned by the Federal Government, and leased by it, can be taxed to the lessee only when Congress so provides. 15/ However, the Federal Government has been making payments to many municipalities across the country for certain property leased to private parties. In Massachusetts, this has included payments to the town of Grafton for federal property occupied by the Wyman Gordon Corporation and to Lynn and Everett for federal property occupied by the General Electric Company. On January 31, 1968, the law authorizing such payments expired, thus ending the payments. However, Congress re-enacted the law in the 1970 session. A bill (H.5267) was introduced into the Massachusetts Legislature in 1970 which would have authorized taxation of such property. It passed both branches of the Legislature but was pocket vetoed. In a recent development, the Court has upheld a tax by the town of Wilmington on some towers purchased by the AVCO Corporation but with title vested in the Federal

Government. 16/ The Court based its decision on the decisions in the Michigan cases, even though Massachusetts does not have a statute like the Michigan one which authorized the taxation of property owned by the Federal Government and leased to private parties. Also, the United States Supreme Court, in the Michigan cases, considered the tax as one on the use of the property. This language is absent in the Massachusetts decision. It is difficult to see how the AVCO decision affects the problem in Massachusetts of federal property leased to private corporations.

Property of the Commonwealth

Clause 2 of the statute exempts property owned by the Commonwealth of Massachusetts. This section exempts from taxation all property of the Commonwealth except certain coastal lands, flats and structures thereon leased to private parties.

There are provisions in the law which authorize state payments in lieu of taxes to cities and towns where certain types of state-owned property are located. Chapter 58, section 13 provides for state reimbursement to the municipalities for certain public institutions and state land used for certain other specified purposes. The section provides that in every fifth year, the Tax Commissioner shall determine the fair cash value of all land in every city and town in the Commonwealth used for such specific purposes as a state forest, state university or fish hatchery. The amount each city and town receives is determined by multiplying the value of such property in the city or town by a three year statewide average tax rate based on the sum of all local tax levies and valuations. In addition, the State reimburses the cities and towns for loss of taxes on property taken for flood control reservoirs by the United States Government.

Municipal, County and District Property

Municipally-owned property is also exempt under Massachusetts law. It is the legal rule in Massachusetts that a municipality may not tax its own property. In addition, property taken or held for public use by one municipality within the boundaries of another municipality is not subject to taxation so long as it is devoted to public use. The exemption of municipal property is not based on statute, but on a legal rule of expediency, property and justice laid down by the Court. 17/ This exemption is qualified by the provision of chapter 59, section 7A that a municipality must make payments in lieu of taxes on property it owns in another municipality and used for such purposes as a water supply, sewerage disposal or a public airport.

Like the exemption of municipal property, the exemption of county and district property put to a public use has been established by judicial interpretation rather than by statute. It rests on the principle that it was not the intention of the Legislature to tax property so used in the absence

of an express declaration that it should be taxed. The exemption of county, district and municipal property is based on the premise that " . . . property held and used for the public good should not be made to share the burden of paying public expenses." 18/

Chapter 59, section 3A further qualifies the exemption of state and municipal property. It provides that real estate owned by the Commonwealth or a municipality, if leased for other than public purposes, shall be taxed to the lessee or occupant of the property. There is, however, some difficulty in defining public purposes. For example, the Court has held that a gas station on Route 128 was taxable though the lessee of the state-owned property was required in its contract to perform some public services. Since the lessee was a private business corporation operated for profit, the property was being used for profit. Therefore, it was not being used for a public purpose, and was not exempt. 19/ This case was decided despite the decision in an earlier non-exemption case which held that the leasing of land taken by eminent domain by the Massachusetts Turnpike Authority for restaurants, gas stations and other services was not unconstitutional, since the property leased was to be devoted to the public purposes of the turnpike. 20/

Property of Public Authorities

Massachusetts also grants exemptions to public authorities, and these are included in the statutes which established each authority. The statutes creating the Massachusetts Port Authority, 21/ the Massachusetts Parking Authority 22/ and the Massachusetts Bay Transportation Authority (MBTA) all provide that the authorities shall not be required to pay taxes or assessments upon their property. 23/ The statutes creating the Port and Parking Authorities further provide that the property owned by these authorities are exempt even if leased to private commercial enterprises. Through judicial interpretation, this was also extended to the MBTA. 24/

Chapter 121, section 26R provides an exemption for property of housing authorities. It states that the real and personal property of a housing authority is deemed to be public property used for essential public purposes, and shall be exempt from taxation and special assessments. According to the Court, this exemption is based on the principle that housing authority property is devoted to uses which are public or quasi-public in nature, and which directly or indirectly relieve public burdens. 25/ The statute does provide for payments in lieu of taxes by housing authorities to the municipalities in which they are located.

Property of Urban Redevelopment Corporations

The real and personal property of urban redevelopment corporations is exempt under chapter 121A, section 10. For a period of forty years after the organization of an urban redevelopment corporation, all real and personal

property of the corporation is exempted from local taxation and special assessments. The Court, in upholding the constitutionality of this section, relies on the principle of public benefit:

Since . . . urban redevelopment corporations, although in a sense private corporations, perform functions for the public benefit and analogous to those performed by various other types of corporations commonly called public service corporations, property owned by them and used in such service may receive favored treatment in the matter of taxation. 26/

There are provisions in chapter 121A for reimbursements by the State to cities where urban redevelopment corporations are located. The reimbursement is based on an excise paid by the corporation to the State equal to the sum of five percent of the gross income and ten dollars per thousand dollars of valuation. Chapter 121A was passed in 1945 and later amended to provide the basis for construction of the Prudential Center in the Back Bay section of Boston. Most property in the State exempt under this chapter is located in Boston. This type of property is private property put to public use. However, following the practice of the Boston Assessing Department, this property will be classified as public exempt property.

Personal Exemptions

The remainder of the exemption statute deals with exemptions granted to privately owned property. These include personal exemptions granted to several classes of individuals on account of certain personal characteristics they possess, and institutional exemptions which are the main focus of this study.

The statute grants personal exemptions on real property to the value of \$2,000 of widows and minors whose fathers are deceased, provided the property is occupied as a domicile, and provided the value of the widow's or minor's entire estate does not exceed \$14,000. The statute exempts \$4,000 or \$350 of actual taxes, whichever is greater, of real property of persons over 70, if occupied as a domicile, subject to certain income and property restrictions. The property of certain war veterans is also entitled to exemption under the statute. Exemptions are granted to the domiciles of veterans ranging from \$2,000 to \$10,000 depending on the degree of disability, with the State reimbursing the city or town for all lost taxes on exempted values exceeding \$2,000. Exemptions are also granted to the domiciles of blind persons and to the domiciles of widows or surviving minor children of policemen or firemen killed in the line of duty. Local assessors also have the longstanding power to exempt any portion of the estates of persons who by reason of age, infirmity and poverty are, in the judgment of the assessors, "unable to contribute fully toward the public charges."

The individual and institutional exemptions are administered in different manners. Property of individuals qualifying for an exemption is

included on the assessment rolls, and the individuals must apply for an abatement of all or part of the tax which is assessed. Exempt institutional property, on the other hand, is not included on the assessment rolls, but each city or town is required to submit a form (Form 121) each year to the Department of Corporations and Taxation listing the amount and type of exempt property within its jurisdiction, and its owners. 27/

Property of Charitable Organizations

Most private institutional exemptions are granted under clause 3 of the exemption statute. Clause 3 exempts from taxation all personal property of a charitable organization. In addition, it exempts the real property of a charitable organization occupied by the organization or its officers for the charitable purposes of the organization. A 1957 amendment of the clause extended the exemption to charitable trusts as well as charitable corporations. The amendment also permitted the property to be owned by one charitable corporation and occupied by another charitable corporation for charitable purposes. The statute defines a charitable organization as a literary, benevolent, charitable or scientific institution or temperance society incorporated in the Commonwealth, or a trust established for that purpose. The clause further provides that if any of the income or profits of any organization is divided among its stockholders, members or trustees, or is used for purposes other than the charitable ones mentioned above, the property shall not be exempt. Also, if upon dissolution of the organization, a distribution of income, profit or assets would go to any stockholder, trustee or member, the property shall not be exempt. If a charitable organization purchases real estate ~~with~~^{the intent of occupying it for charitable purposes}, it is exempt, but only for two years after such purchase.

In many cities and towns, the procedures for requesting an exemption are relatively informal. Some cities and towns, however, do use a form (Form 1b-3) which requires information concerning the finances of the organization and the uses of its property. The exemption statute requires that institutions receiving an exemption under clause 3 file a form each year with the local assessors (Form 3 ABC). This form requires the organization to list all its real property, its personal property both tangible and intangible, its revenue and expenditures, and the uses to which its real estate is put. The cities and towns are required to send the "ABC" forms they receive each year to the Department of Corporations and Taxation. Also, there is a requirement heretofore unrelated to exemption requirements, that all charitable organizations file a financial statement with the Division of Public charities of the Attorney General's Office (Form 12). 28/ A law passed in 1970 provides that a charitable organization (an organization exempt under clause 3) shall not be exempt from taxation in any year in which it fails to file an "ABC" form and a certification of oath delivered to the local assessors saying that a Form 12 has been filed with the Division of Public Charities. 29/ This new law is also stricter than the previous requirement that the failure to file an "ABC" form had to be willful before an exemption could be denied.

Interpretation by the Courts

The task of interpreting the provisions of clause 3 and determining which property is actually entitled to exemption has fallen to the courts. The statute makes it clear that two primary considerations are to guide the courts in deciding these cases: the nature of the organization owning the property and the uses to which the property is put. In these decisions, the Supreme Court has enunciated some broad principles, and has tried to apply them to each particular situation.

The Court has repeatedly held that to come within the terms of the statute, the institution owning the property must be a public charity. 30/ A public charity is not restricted to relief of the poor, but extends to other forms of philanthropy and beneficence. 31/ In determining whether a particular organization is of the type that qualifies for exemption, the Court has relied on the principle of dominant purpose. It has held that an organization will be classified as charitable if the dominant purpose of its activity is for the benefit of the public or of an indefinite class of people and if it is operated without private profit or benefit to its members. If the dominant purpose of the organization is to benefit its members, it cannot be classified as a charitable organization even though the public receives some incidental benefits from its work. The Court upheld Boston's denial of exempt status to the Boston Chamber of Commerce and the Massachusetts Medical Society because though the public gained some benefit from the work of the organizations, their dominant purposes were to benefit their own members. 32/ Similarly, the Elks were denied an exemption under the statute because the Court said that the dominant purposes of the organization were social rather than charitable, even though it performed many charitable functions. 33/ The Court has said that in determining which institutions fall within the provisions of the statute, it will examine the declared purposes of the organization, its by-laws or charter, its type of administration and the nature of its activities. 34/

As already noted, the nature of the organization is not the only criterion determining eligibility for exemption. Under the statute, personal property owned by a charitable organization is exempt regardless of use. However, real property of such an organization is exempt only if it is occupied by the organization for the purposes for which it was incorporated, or by another charitable organization for the purposes for which it was organized. The use of the property is as crucial as the nature of the organization owning it in determining eligibility of the property for exemption. To gain an exemption under clause 3, it must be shown that the property is actually being used for the charitable purposes of the organization. Thus, a building which was used primarily to print literature for sale, where the income from such sales went to a charitable organization, was not entitled to exemption. The principle purpose of the occupancy of the property was to produce income, and occupation for such purposes does not come within the provisions of the statute. The property was being used for purposes which were commercial in nature, and not the purposes for which the organization was incorporated. 35/ Also, in determining

qualification for exemption, incidental use for exempt purposes will not suffice; it is the dominant use of the property which is controlling.

The Court, however, in an apparent departure from the strict-interpretation principle, has been liberal in permitting the institution to determine how much of its real estate is needed to carry out the purposes of the organization. In an early case, the Court said:

What lands are reasonably required, and what uses of land will promote the purposes for which the institution was incorporated, must be determined by its own officers . . . The presumption is in favor of their judgment. . . 36/

Revenue Producing Property

This leads to the question whether revenue producing property, owned and used by a charitable institution, should be considered exempt. As discussed above, the Court has held that the real estate of a charitable organization used for the purpose of producing revenue is not exempt, even though the revenue is later used for the charitable purpose of the organization. However, the Court has also said that incidental revenue derived from the use of the property does not eliminate the eligibility for exemption provided the dominant use of the property was for the purpose for which the organization was incorporated. 37/ Thus, where charitable hospitals combine to form a corporation for the purpose of doing laundry work for the hospitals, the fact that it made some charge for its services did not destroy its charitable character, and its property was entitled to exemption. 38/ Similarly, the charging of fees by a school does not eliminate it as a charitable organization provided the property is used for educational purposes for which the school was created, and that no profits are distributed among the members of the corporation. 39/

Educational Institutions

In interpreting clause 3 of the statute, the Court has had to deal extensively with exemptions granted to educational institutions. Educational institutions qualify for exemptions under the "literary" and "scientific" terms of clause 3, though the type of education involved need not be literary or scientific. 40/ In order to qualify for an exemption, the institution must be a public charity, and the property must be occupied and used for the educational purposes of the institution. So, property owned by Williams College and used for faculty residences was not exempt because the property was being used for private purposes. 41/ But the home of a principal of a private school was exempt because his presence on campus was necessary for the orderly management of the school. 42/ Similarly, in a recent case, the Court has held that free faculty housing provided by a private school in New Braintree was exempt. The Court upheld the exemption because faculty residence on campus was necessary for carrying out the educational purposes of the school. 43/

Benevolent Institutions

The term "benevolent" in clause 3 has caused the Court little difficulty in interpretation. It has held that in this context the term "benevolent" is synonymous with "charitable" and adds nothing to it. 44/

Exemption by Special Act

The General Laws of Massachusetts do not exempt specific organizations or specific property. Other states, as discussed in the following chapter, often list the names of organizations and the specific property to be exempted in their general statutes. The Massachusetts Legislature has resorted to specific exemptions only by special act. Special acts have granted exemptions to the property of the American National Red Cross, 45/ the Gardner Museum in Boston, 46/ the Edwards Scholarship Fund 47/ and several others. An advisory opinion of the Court, however, raises doubts about the constitutionality of such special acts. In 1968, the House of Representatives requested an advisory opinion on House No. 3465, an act exempting from taxation certain real and personal property of the Loyal Order of Moose and the Fraternal Order of Eagles. The Court held that the bill violated the state constitutional requirement that taxes on property be proportional and reasonable and the equal protection clause of the 14th Amendment. These organizations were receiving treatment which differed in manner and extent from similar organizations having similar functions and purposes. 48/ Shortly following this decision, the Commissioner of Corporations and Taxation issued a directive to the cities and towns saying that as a result of this opinion, the similar special acts granting exemptions to the property of the Knights of Columbus, 49/ the Benevolent and Protective Order of Elks, the Grand Lodge of Massachusetts of the Sons of Italy and the Patrons of Husbandry 50/ were unconstitutional. Although these organizations could no longer be exempted by special act, they could still be considered for an exemption under clause 3. However, the fact that a special act was passed granting them an exemption suggest that they might not qualify under clause 3. The Commissioner's letter dealt only with the special acts granting exemptions to these specific organizations because the act struck down by the advisory opinion was so similar to the special acts granting exemptions to these organizations. However, the effect of the advisory opinion on specific exemptions granted by the other special acts remains in question. 51/

Property of Veterans Organizations

Clause 5 of the statute exempts from taxation real and personal property of any incorporated organization of United States war veterans to the amount of \$100,000 provided the property is actually used and occupied by such association. The net income from the property must be used for charitable purposes. The exemption is withheld for any year in which the association fails to file the required "ABC" form. It is interesting to note that this section gives special treatment to veterans organizations as distinct from

other types of organizations, since there is no stipulation as to the type of use to which the property must be devoted. Organizations exempt under clause 3 must occupy their property for charitable or educational purposes to be exempt. The veterans organizations, however, presumably can occupy their property for primarily social or other non-exempt purposes and still be eligible for exemption.

Agricultural Societies

The exemption granted to agricultural and horticultural societies appears in clause 5. It exempts the personal property of such societies, and the portions of the real estate and buildings of horticultural societies used for exhibition purposes, libraries or offices. The real estate of incorporated agricultural societies is exempt on only the portion used for agricultural exhibition purposes. Any portion used for other purposes is subject to taxation.

Fraternal Organizations

Clause 7 grants an exemption on the personal property of fraternal organizations. The line distinguishing fraternal organizations from charitable organizations is often not a clear one. It is, however, a significant one, since the real and personal property of a charitable organization is exempt, while only the personal property of a fraternal organization is exempt. This problem will be discussed in more detail later.

The "Religious" Exemptions

Clause 11 of the statute exempts from taxation houses of religious worship owned by, or held in trust for the use of, any religious organization. Such real estate is only exempt if it is necessary or incidental to use for the purpose of religious worship. This clause does allow for partial exemption on property where a portion is used for the purposes of religious worship and a portion is used for other purposes.

Clause 11 also grants an exemption of \$20,000 valuation on property owned by or held by a religious organization and used as a parsonage. In 1953, this exemption was raised from five to \$10,000, in 1964 to \$15,000, and in 1967 to \$20,000. The parsonage exemption clause has been subject to constant amendment which served to increase the scope of the exemption. In 1966, the clause was amended to include the "official residence occupied by a person who has been designated by the congregation of a Hebrew Synagogue or Temple as the rabbi thereof." This provision was undoubtedly added because in some communities, rabbis own their own homes rather than having them owned by the congregations. Amendments to this clause have granted exemptions to: the official residences occupied by the superintendents of the Methodist Church; the official residence occupied by the president of the New England Synod of the Lutheran Church of America; official residences

occupied by district executives of the Unitarian Universalist Church; official residences of district superintendents of the Church of the Nazarene; official residences occupied by district executives of the Baptist General Conference of New England; and the residences of district executives of the Southern New England District of the Assembly of God.

Under clause 10, the personal property only, of a religious organization is exempt from taxation if the principal or income is used for religious, benevolent or charitable purposes. The exemptions for houses of religious worship, parsonages and personal property of religious organizations, unlike most other private exemptions, carry with them no requirement for filing the "ABC" form or the Form 12 of the Attorney General.

Cemetery Property

Clauses 12 and 13 of the exemption statute grant exemptions to cemetery property. Under clause 12, cemetery property itself is exempt so long as it is dedicated to the burial of the dead. This clause is unusual in that it permits an exemption on land owned by a cemetery corporation even if the corporation is a profit-making one. This, however, only applies to the land; buildings used exclusively for the administration of cemeteries are exempt only when owned by religious non-profit corporations. Under clause 13, personal property held for cemetery purposes is exempt, though this exemption does not extend to a corporation which distributes its income or profits of its business among its stockholders or members. The cemetery exemption has also been subject to litigation in the courts. In an early case, the Court said that no land is really dedicated to the burial of the dead unless it is devoted to, or actually set apart for and some active measures taken toward preparing the ground for use as a burial place. 52/ However, in what might be viewed as a departure from this principle, the Appellate Tax Board has recently ruled that a cemetery can purchase property for cemetery purposes for anticipated future needs and still have it exempt. The requirement of the law is not that all land acquired for burial purposes must be developed at one time. 53/

Special Assessments

The exemptions granted to private institutions apply to the property tax only, and not to special assessments or betterments which a municipality is authorized to impose.

Overlapping Categories

While the exemption statute makes a neat distinction between publicly-owned property and privately-owned property devoted to institutional purposes, there are close functional correspondences which cut across these categories. Thus, there are both public and private hospitals, public and private schools, public and private colleges, and public and private recreational

facilities. This functional overlapping will be important in the examination of institutional exemptions which follows.

Private Property used for Public Purposes

A series of cases holds that private property used for public purposes can be exempt, though not coming within the terms of any exemption law or act. One such early case provided the basis of the exemption for railroad rights of way. The Court held that a railroad corporation could not be taxed for land devoted to railroad purposes which it was authorized to take by eminent domain. The land could not be taxed because it was being used for a public purpose. ^{54/} In 1853, the Legislature reaffirmed this decision. It passed a law which provided that land outside the location of the railroad five rods in width, taken or purchased for railroad, depot or station purposes, shall not be exempt from taxation. ^{55/} This, of course, implied that property within the five rod limit is exempt. As a result, railroad rights of way are exempt to a width of five rods, as are all structures built within the five rod limit and used for railroad purposes. Structures outside the five rod limit are taxable regardless of use. The decision in the Worcester case was confirmed in modern times by a similar situation. The Court held that land in Boston taken by exercise of eminent domain by a railroad for use as a terminal was devoted to public use. Such land was exempt from taxation even though the railroad derived revenue from the property in the form of concessions, rentals and the sale of electric power. In enunciating a general principle the Court said:

The law of this Commonwealth is that land appropriated to a public use by the owner, who acquired it or might have acquired it by eminent domain, is exempt from taxation by the city or town in which it is located in the absence of a statute subjecting it to taxation. ^{56/}

This principle, however, has been superseded by a 1943 act of the Legislature which provided that all real estate in the Commonwealth acquired by a corporation by eminent domain, or purchased by any corporation with eminent domain powers, shall ". . . unless expressly exempt by charter of such corporation or by statute, be subject to taxation." The statute does stipulate, however, that it does not apply to the property of railroad corporations. ^{57/}

Property Subject to Alternate Forms of Taxation

A number of other exemptions granted by Massachusetts law for specific classes of property fall outside the focus of this study on institutional exemptions and require only brief mention here to complete the exemption picture. It should be noted, nevertheless, that in total value these classes represent the greater part of all property removed from the once-inclusive general property tax -- exceeding by a wide margin the value of property remaining subject to the general tax.

The principal exemptions in this residual group are those granted in order to reach the same property by other, less onerous or more effective or equitable forms of taxation. These include:

Intangible personal property, including bonds, stocks, capital gains and money at interest, reached since 1916 through the personal income tax and since 1862 through a deposits tax on savings banks.

Business inventories and manufacturing machinery, reached through corporate excises.

Motor vehicles, taxed since 1929 through the motor vehicle excise. 58/

Trailer coaches (mobile homes) in certain trailer coach parks, subject to a monthly municipal license fee.

Classified forest lands, subject instead to a composite of property tax and excise.

Certain farm animals taxed since 1956 through a farm animal excise.

In each of these cases, the Legislature provided that revenues obtained through the substitute form of taxation should accrue to the cities and towns either by local collection or by state collection and distribution. Recent changes in state-local fiscal relationships and in the taxes themselves have obscured this original design.

Other Exempt Property

A final miscellaneous group of exemptions, none of them involving substitute forms of taxation includes:

The household furnishings and personal effects in the domiciles of Massachusetts residents, to the value of \$5,000. The exemption ceiling was raised from \$1,000 in 1964, in recognition of the difficulties of discovering and assessing such property equitably and with the intended effect of virtually eliminating this formerly important source of property taxes.

The real and personal property of militia units, water companies, air raid shelters, water and air pollution devices, and certain privately-owned airports.

The personal property of credit unions, retirement or pension associations, annuity associations, and certain banks.

Certain tools, boats, fishing gear, and farming machinery for occupational use.

FOOTNOTES

1. Chapter V, sections 1 and 2 of the Massachusetts Constitution, in effect, guarantee a perpetual exemption on all property of Harvard College exempt at the time of ratification of the Constitution.
2. 84 C.J.S. Taxation sec. 216 (1954).
3. Board of Assessors of Quincy v. The Cunningham Foundation, 305 Mass. 411 (1941).
4. Massachusetts, Constitution, Chap. V, sec II.
5. Opinion of the Justices, 195 Mass. 609 (1908).
6. Massachusetts, Constitution, Art. III.
7. Boston Symphony Orchestra v. Board of Assessors of Boston, 294 Mass. 248 (1908).
8. Assessors of Everett v. Albert N. Parlin House Inc., 331 Mass. 359 (1954).
9. Boston Chamber of Commerce v. Assessors of Boston, 315 Mass. 712 (1954).
10. Philip Nichols, Taxation in Massachusetts (3d ed.; Boston: Financial Publishing Company, 1938), pp. 235-236.
11. Ibid., pp. 235-248.
12. United States, Constitution, Art. VI, cl. 2.
13. McCulloch v. Maryland, 17 U.S. (4 Wheat.) 316 (1819).
14. U.S. v. Detroit, 355 U.S. 466 (1958). U.S. v. Muskegon, 355 U.S. 484 (1958).
15. G.L. c. 59, s. 3D.
16. Board of Assessors of Wilmington v. Avco Corp., 260 N.E. 2d 179 (1970).
17. Collector of Taxes of Milton v. Boston, 278 Mass. 277 (1932).
18. Boylston Water District v. Tahanto Regional School District, 353 Mass. 81, 227 N.E. 2d 923 (1967). These exemptions are acknowledged by statute. Chapter 59, section 51 says that the assessors shall include upon the valuation lists property exempt by statute and exempt property owned by a county, city, town or district.

19. Atlantic Refining Co. v. Assessors of Newton, 342 Mass. 200 (1961).
20. Opinion of the Justices, 330 Mass. 713 (1953).
21. Acts of 1956, chapter 465, amended by Acts 1958, chapter 599.
22. Acts of 1958, chapter 606, s. 16.
23. Acts of 1964, chapter 563, s. 18, now G.L. c. 161A, s. 18.
24. Board of Assessors of Newton v. Pickwick Ltd., Inc., 351 Mass. 621 (1967).
25. Opinion of the Justices, 324 Mass. 724 (1949).
26. Opinion of the Justices, 334 Mass. 760 (1956).
27. G.L., c. 59, s. 86.
28. G.L., c. 12, s. 87.
29. Acts of 1970, chapter 219.
30. Assessors of Boston v. Boston Pilots' Relief Society, 311 Mass. 232 (1942).
31. Board of Assessors of Boston v. Garland School of Homemaking, 296 Mass. 378 (1937).
32. Massachusetts Medical Society v. Assessors of Boston, 340 Mass. 327 (1960). Boston Chamber of Commerce v. Assessors of Boston, 315 Mass. 712 (1944).
33. Boston Lodge Benevolent and Protective Order of Elks v. Assessors of Boston, 217 Mass. 176 (1914).
34. Hairenik Association v. Assessors of Boston, 313 Mass. 274 (1943).
35. Ibid.
36. Massachusetts General Hospital v. Somerville, 101 Mass. 319 (1869).
37. Boston Symphony Orchestra v. Board of Assessors of Boston, 29 Mass. 248 (1938).
38. Children's Hospital Medical Center v. Board of Assessors of Boston, 353 Mass. 35 (1969).
39. Board of Assessors of Boston v. Garland School of Homemaking, 296 Mass. 378 (1937).

40. Ibid.
41. Trustees of Williams College v. Assessors of Williamstown, 167 Mass. 505 (1897).
42. South Lancaster Academy v. Assessors of Lancaster, 242 Mass. 553 (1922).
43. Board of Assessors of New Braintree v. Pioneer Valley Academy, 1969 Adv. Sheets 573, 246 N.E. 2d 792.
44. Garland School of Homemaking v. Board of Assessors of Boston, 296 Mass. 378 (1937).
45. Acts of 1930, chapter 86.
46. Acts of 1943, chapter 279.
47. Acts of 1943, chapter 480.
48. House No. 4270.
49. Acts of 1963, chapter 95.
50. Acts of 1966, chapter 404.
51. Letter from Cleo F. Jailett Commissioner of Corporations and Taxation (May 17, 1968).
52. Woodlawn Cemetery v. Assessors of Everett, 118 Mass. 354 (1875).
53. Board of Assessors of Sharon v. Knollwood Cemetery, 1969 Adv. Sheets 545 (1969).
54. Worcester v. Western Railway Corporation, 45 Mass. (4 Met.) 564 (1842).
55. Statutes, 1853, c. 351, now G.L. c. 160, s. 87.
56. Boston v. Boston Elevated Railway Co., 320 Mass. 588 (1946).
57. Acts of 1946, chapter 393, now G.L. c. 3D.
58. It is also worth noting that under G.L., c. 60A, s. 1, motor vehicles and trailers of an organization whose personal property is exempt from taxation under clause 3 are exempt from the motor vehicle excise.

EXEMPTIONS IN OTHER STATES

The major types of property tax exemptions allowed under Massachusetts law are generally similar to those established in the constitutions or laws of other states. Massachusetts is unusual, however, in having no constitutional reference to property tax exemptions. Consequently, Massachusetts enjoys a freedom to alter its exemption provisions which most states lack.

Constitutional Provisions

The constitutional provisions of other states are generally of two types. The first is the self-executing type which automatically provides for specific exemptions under law and makes them mandatory. For example, the Minnesota Constitution provides that:

... public burying grounds, public school houses, public hospitals, academies, colleges, universities, and all seminaries of learning, all churches . . . and all institutions of purely public charity . . . shall be exempt from taxation. 1/

The second type of provision permits the legislature to exempt certain classes of property from taxation, but does not require it. The West Virginia Constitution, for example, provides that property used for educational, charitable or religious purposes " . . . may by law be exempted from taxation." 2/

Some state constitutions which enumerate specific exemptions in either of the above forms restrict the exemptions which the legislature can grant to those listed in the constitution. The Pennsylvania Constitution says that, "all laws exempting property from taxation, other than the property enumerated above, shall be void." 3/ On the other hand, Wyoming's Constitution allows for exemptions by law on certain property " . . . and such other property as the Legislature may by general law provide." 4/

A few state constitutions do not enumerate specific types of property to be exempted but rather empower the legislature to grant exemptions. The Idaho Constitution says that " . . . the Legislature may allow such exemptions from taxation from time to time as shall seem necessary and just." 5/

Most state courts, like the Massachusetts courts, hold that taxation is the rule, and exemptions are the exception and are to be strictly construed. Also, most state constitutional and statutory provisions, as well as court decisions, resemble Massachusetts practice in making the use of the property, as well as its ownership, the tests for granting an exemption. In most states, the use of the property is as important as the ownership in determining the qualification for an exemption, and it is usually the dominant use which is controlling, not the incidental use.

Public Property

Most states have statutory or constitutional provisions which exempt public property from local taxation. Statutory provisions are not needed to establish the exemption of property owned by the Federal Government. Such provisions merely affirm the prohibition of such taxation by the Federal Constitution under the Supreme Court's doctrine of intergovernmental immunity. All states exempt state-owned property from local taxation, and most exempt municipally-owned property. In many states, these exemptions are constitutional. The Colorado Constitution provides that "the property, real and personal, of the state, counties, cities, towns and other municipal corporations . . . shall be exempt from taxation." 6/

The tax status of publicly owned property leased to private parties for proprietary purposes varies from state to state. In some states, public ownership is the only criterion for exempting the property. However, many states limit the exemption to property devoted to a public purpose. Where the exemption provision is not qualified as to the use of the property, no tax can be levied against the property, regardless of its use. But in most cases, to be exempt, the property must be devoted to a public purpose. So, in the many states which have a public use provision, the criterion for granting the exemption depends on the uses to which the property is put. Many state courts in applying these provisions have held that where the public property is held for private purposes and used for profit, it may be taxed in the usual manner. In many of these cases, public property leased to private parties has been considered as not being used for a public purpose and therefore subject to taxation. So, a stadium owned by the City of Cleveland, Ohio and leased to professional sports teams was held to be taxable. Though the City received a substantial sum in the form of rent and part of the profits of the concessionaires, it was held not to be a public purpose, despite the fact that the money the City received was used for public benefit. The property was not granted an exemption under Ohio's statute exempting public property used exclusively for public purposes. The Ohio Supreme Court held that when the City undertakes an enterprise which by its very nature is proprietary, it thereby enters into competition with private enterprise, and its property is not being used for a public purpose which would entitle it to an exemption. 7/

Other states accomplish the same result through statutory provisions which deal with publicly owned property used or leased for private purposes. Massachusetts taxes the lessee or occupant of state or municipal property leased to private parties. An Alaska constitutional provision extends this to federal property as well:

Private leasehold contracts, or interest in land or property owned or held by the United States, the State or its political subdivisions, shall be taxable to the extent of the interest. 8/

Some states have general provisions for taxing exempt property leased to private parties which include public as well as private property. A prominent

example is the Michigan statute which the United States Supreme Court upheld when it first authorized local taxation of federal property leased to private parties:

When any real property which for any reason is exempt from taxation is leased, loaned, or otherwise made available to and used by a private individual, association, or corporation in connection with a business conducted for profit, except where the use is by way of a concession in or relative to the use of a public airport . . . the lessees or users thereof shall be subject to taxation in the same amount . . . as though the lessee or user was the owner of such property. 9/

In many of these statutes, there is a provision for taxing the lessee or user of public property. However, in the absence of such a statute, the tax may be levied on the jurisdiction owning the property, though it can be passed on to the lessee through the terms of the lease.

Charitable Institutions

Virtually every state grants some form of exemption to the property of charitable institutions, and this exemption is mentioned in the constitutions of 34 states. 10/ Most state provisions, as in Massachusetts, restrict this type of exemption to property owned by a non-profit charitable organization and used by such an organization for a charitable purpose. The Florida statute, for example, grants exemptions to the property of charitable institutions " . . . as shall be actually occupied and used by them for the purpose for which they have been or may be organized."11/ Some states restrict the exemption further by limiting it to property used exclusively for charitable purposes. The Colorado Constitution provides that only property used "solely and exclusively for . . . strictly charitable purposes . . . shall be exempted from taxation."12/ Some states limit the amount of such property entitled to exemption. Maryland limits the exemption of property of charitable organizations to buildings and land not exceeding 100 acres in area. 13/

Educational Institutions

All states grant exemptions to public educational institutions, and most states grant them to private ones which are operated on a non-profit basis. The standards for receiving this exemption resemble those for charitable institutions in requiring that the property be used for education or exclusively for educational purposes. However, this requirement has in most cases been liberally construed to include such uses as stadiums, recreation areas and student residences. Some states have an area limitation on this exemption. Washington has a 400 acre limit (recently raised from 100 acres) on real property used exclusively for college purposes. 14/ Iowa has a 300 acre limit for all religious, charitable and educational organizations receiving exemptions. 15/

Religious Institutions

Every state, either by statute or by constitutional provision, exempts property used for a house of religious worship. Such an exemption is mentioned in 30 state constitutions, about half of which make it mandatory. It generally applies only to property actually used or incidental to use as a house of religious worship. Some states extend the exemption to the residences of clergy (parsonages) as well, while others such as Pennsylvania do tax parsonages.

The exemption of property owned by religious organizations has come under increasing attack, and several constitutional and other objections have been voiced against it. 17/ In a May 1970 decision of the United States Supreme Court, the constitutionality of the exemption was upheld. The Court said that the exemption granted to churches did not violate the First Amendment's prohibition against the establishment of religion, as critics had argued, holding that the state is being neutral by treating all religions equally and not singling out any one religion for special treatment. The Court also based its decision on historical considerations, pointing out that exemptions on church property have been accepted almost without challenge in almost every state for most of our history. 18/

Partial Exemptions

As in the case of public property, the tax status of privately owned property which is leased to private parties for commercial purposes is also in question. Normally, such property is not exempt because it is not being used for an exempt purpose, or because a state has a statute prohibiting exemption of such property. A more important question is the tax status of property owned by an exempt organization, part of which is used for exempt purposes, and part of which is used by the organization for non-exempt purposes, or is leased to a private enterprise for commercial purposes. Many states have provisions for dealing with exemption of property used partly for exempt and partly for non-exempt purposes. A few states have statutes which specifically authorize this practice. For example, the South Dakota statute reads:

If property belonging to any society . . . shall be occupied partly by a charitable, benevolent, or religious society, and the remaining part is occupied, rented, or used for purposes other than the object for which such society or institution was primarily organized, such portion of property as is so occupied, rented, or used for other than the purposes for which the society or institution owning the same or having the exclusive use of the same was organized, shall be taxed as other property of the same class is taxed, in the proportion as the value of such part shall bear to the entire property. 19/

Under statutes such as this one, if property is owned by an organization which is eligible for an exemption, and is used partly for exempt purposes, and the

other part is either rented out or used by the organization itself for non-exempt purposes, such part of the property shall be taxable.

In most states, however, there are no statutes authorizing such a procedure. It is in the absence of such a statute that the question of a partial exemption becomes more difficult. Although legal opinions differ, a large body of legal authority holds that where a statute exempts from taxation property used for certain purposes, property which is used partly for such purposes and partly for non-exempt purposes can be taxed to the extent of the non-exempt use, even though such a practice is not authorized by statute. 20/ For example, Nebraska has a statute exempting property used "exclusively for school, religious, cemetery, and charitable purposes." Its Supreme Court held that where a YMCA owned a five story building and leased part of it for a cafeteria, the portion used for YMCA purposes was exempt, and the portion used for cafeteria purposes was taxable. 21/ Despite such judicial sanction, it is questionable whether partial exemptions are granted extensively or consistently by local assessors in states where there is no statute authorizing it.

Massachusetts statutes make few references to such procedures. Churches are granted exemptions only on that portion of their property used for religious worship. Horticultural and agricultural societies are granted exemptions for only that portion of their property used for exhibition purposes. Other than these, there is no mention of partial exemptions in the Massachusetts General Laws. However, as in the case of many other states without such statutory provisions, assessors have utilized such procedures and the courts have upheld them. Questionnaire replies indicate that partial exemption procedures are used to some extent in Massachusetts, although they do not appear to be widespread. Examples include Elks and Masonic halls, YMCA buildings, and a hospital which rents part of a building for doctors' offices. 22/

There is judicial support for such procedures. As early as 1874, the Supreme Judicial Court upheld the City of Cambridge's practice in assessing property of Harvard College on one-third of the land and one-half of the building. The Court said:

When a building owned by a corporation of the exempted class is occupied in part by the corporation and in part leased for profit, it is proper to tax only the leased portion of the building and a proportionate part of the land covered by the building. 23/

In a later case, the Court upheld the granting of an exemption on ten percent of a building that was used partially for charitable purposes. 24/ In a recent case, the Appellate Tax Board upheld the Town of Milton in taxing a portion of a hospital building which was leased to doctors for their offices. 25/

Part of the difficulty involved in this procedure is that there is no consistency in its use across the State. The language of many past court

decisions also presents difficulties. In many of the previous cases, as discussed earlier, the overriding principle for eligibility for an exemption is the dominant use of the property. It remains uncertain whether dominant use refers to the property as a whole or only to the dominant use of the portion of the property to be exempted. If it refers to the property as a whole, then partial exemption would be inappropriate. However, since partial exemption has been upheld in Massachusetts and many other states, the latter interpretation seems justified.

Specific Exempt Institutions

Many states in their statutes or constitutions list specific institutions or types of institutions whose property is entitled to exemption rather than establishing general categories of exempt property (e.g., charitable, literary, etc.) as in the Massachusetts statute. Some states specifically exempt museums, libraries, hospitals and orphanages. Arizona's statute lists asylums and poor houses. 26/ Nevada's statute lists the Nevada Art Gallery, the YMCA, the YWCA, the Red Cross, the Salvation Army, the Boy Scouts, the Girl Scouts and the Campfire Girls. 27/ The Arkansas statute lists the 4H Club and the Future Farmers of America. 28/ Most of the organizations listed above would probably be exempt under the general provisions of the Massachusetts statute, though not specifically mentioned. The Maryland statute exempts many specific properties, including ". . . Ogle Hall, situated at the corner of College Avenue and King George Street, Annapolis . . ." 29/

Many institutions were granted exemptions by their early charters which have enabled them to receive exemptions on their property leased to private commercial enterprises. Examples of such abuses of the exemption process have been the source of much critical publicity. A special 1859 Charter in New York exempting Cooper Union from real estate taxes on all property from which the income is used for its beneficent purposes has barred the City of New York from taxing the school-owned Chrysler Building which is valued at \$20 million. However, New York City has succeeded in gaining passage of a law which removes the exemption on any property Cooper Union acquires in the future and uses for non-exempt purposes. 30/ But while Columbia University is paying taxes on Rockefeller Center land which it owns, Cooper Union is not paying taxes on the Chrysler building.

In Evanston, Illinois, Northwestern University under a special charter has an exemption on all its property, regardless of use. This includes a supermarket and Pepsi Cola plant. The University, however, does make a substantial contribution to the city in lieu of taxes.

The University of Denver and Washington University in St. Louis both receive exemptions by charter on their property used for non-educational purposes. 31/ Several other charitable organizations in St. Louis also have similar charters and receive exemptions on property used for commercial purposes. Rhode Island exempts up to \$10,000 of the value of property of Brown University professors. This has been state law since the charter of 1764,

and has stood because the treaty ending the Revolutionary War contained a provision that the colonies would abide by existing crown charters. However, since 1965, the University has required its professors to sign a waiver of the exemption as a condition of appointment. The Rhode Island Hospital in Providence, by virtue of its charter, has an exemption for all its property regardless of use, including some commercial property. In Rhode Island, the acts providing for the incorporation of certain religious organizations contain provisions exempting all their property regardless of use. As a result, they have an exemption on their property which is leased for income producing purposes. 32/

Exemption Procedures

Various exemption procedures are followed in other states. In some states, they vary markedly from Massachusetts practice. In California, a private organization or institution must file an application with the local assessor along with supporting information and affidavits. The local assessor forwards the application to the State Board of Equalization along with his comments. The Board examines the application as to the eligibility of the organization and its property for exemption. The Board may institute an independent audit or verification of the supporting information. The local assessor is informed of the Board's decision as to eligibility. The assessor may refuse to grant an exemption found eligible by the Board, but it may not grant an unauthorized exemption. 33/ The California procedure unquestionably results in more consistency in the exemption process than the localized Massachusetts procedure.

Chapter 94 of the Laws of Colorado, 1964, requires the Colorado Tax Commission to examine and review applications for the exemption of real and personal property owned and used exclusively and solely for religious, educational and charitable purposes. An individual or corporation files a form with the commission giving information about the finances of the organization and the uses of its property. The Commission conducts an investigation to substantiate the information, and makes a decision. Local assessors are prohibited from granting exemptions in these areas. The Commission is also required periodically to review all property in the state which is exempt from taxation. 34/

Individual Exemptions

Many states grant personal exemptions similar to those in Massachusetts. About 33 states grant exemptions to veterans. These may vary according to the eligibility of the owner of the property, the extent of the property affected, and the amount of the exemption which is involved. Some states limit the exemption to the veterans of certain wars. Ten states specifically limit the exemption to veterans' homesteads. Some limit the value of the exemption and the total value of the property which qualifies for an exemption. For example, California grants ex-servicemen an exemption on the

first \$1,000 of valuation, provided the total value of the property does not exceed \$5,000. Some states recognize various degrees of disability, providing greater exemptions for disabled veterans. California raises its exemption to \$10,000 if the veteran is disabled. 35/

Massachusetts is one of only seven states which grant property tax exemptions to the elderly. Most of these states place a maximum limit on the property entitled to the exemption, and most have a means test. Indiana, for example, exempts \$1,000 of the valuation of homesteads of persons over 65 if the total value is under \$5,000, and the combined income of the applicant and his spouse is less than \$5,000 a year. 36/ Oregon provides a sliding-scale exemption on the homesteads of the elderly, with the amount of the exemption increasing with the age of the owner, reaching a maximum of \$10,000 at age 80 if his income is under \$3,000. 37/

Eleven states have homestead exemptions for all owner-occupied dwellings, ranging in value from \$2,000 in Alabama 38/ to \$5,000 in Florida. 39/ This exemption was a product of the depression period, and was designed to prevent homeowners from losing their homes due to non-payment of taxes.

Personal Property

Many states have special tax and exemption provisions for personal property. Only nine states include all intangible personal property in the tax base for local taxation. Intangible personal property such as a stock or bond has no intrinsic value, but derives its value from tangible property or other values it represents. Fifteen states have no property tax on intangibles. The remaining states tax some, but not all, intangibles as property.

Four states (Delaware, Hawaii, New York and Pennsylvania) completely exempt from the local property tax tangible personal property privately owned and used for private consumption or business pursuits. In 14 states, nearly all such tangibles are subject to taxation, with partial coverage in the remaining states. Household personal property is legally subject to local property taxation in 30 states, and completely exempt in 19 states. Massachusetts and Michigan have the highest exemption limit - \$5,000 - while in California, Maryland, Oklahoma and New Jersey the limit is only \$100. 40/

Machinery and Business Inventory

Exemptions for merchandise inventory and machinery used in manufacturing are found in a few other states. Arizona exempts the inventories of a retailer, wholesaler or manufacturer. 41/ Maryland exempts machinery used in manufacturing. 42/ Kentucky exempts machinery and the products of manufacturing, including raw materials on hand, but subjects them to state taxes. 43/ Some states tax machinery and inventory at lower rates than other property. For example, Ohio taxes personal property at 70 percent of actual value, but taxes manufacturing machinery, inventory and products at 50 percent

of actual value. 44/ Many of the farm states exempt agricultural machinery from taxation. Some states grant exemptions on the real and personal property of manufacturing corporations as an incentive to industry to locate in the state.

Miscellaneous Exemptions

Many states have specific exemptions reflecting unique local or regional characteristics. Minnesota exempts cheese stored in a warehouse for aging. 45/ The California Constitution exempts certain grapevines and fruit-and nut-bearing trees. 46/ Alabama exempts artesian wells and peanuts and pecans stored in warehouses for not more than one year. 49/ Mississippi exempts drilling rigs for the production of oil. 48/ Hawaii exempts up to \$10,000 of the property of a leper. 49/

FOOTNOTES

1. Minnesota, Constitution, Art. IX, sec. 1. (Emphasis added).
2. West Virginia, Constitution, Art. X, sec. 1. (Emphasis added),
3. Pennsylvania, Constitution, Art. VIII, sec. 5.
4. Wyoming, Constitution, Art. XV, sec. 12.
5. Idaho, Constitution, Art. VII, sec. 1.
6. Colorado, Constitution, Art. X, sec. 4.
7. City of Cleveland v. Board of Tax Appeals, 153 Ohio St. 97, 91 N.E. 2d 480 (1950).
8. Alaska, Constitution, Art. IX, sec. 5.
9. Michigan Compiled Laws Annotated (1967), sec. 211.81.
10. Compiled from Richard Edwards (ed.) Index Digest of State Constitutions (New York: Oceana Press Inc., 1959), pp. 1037,1038.
11. Florida Statutes Annotated (1958), sec. 192.6.
12. Colorado, Constitution, Art. 10, sec. 5. (Emphasis added).
13. Maryland Statutes (1957), art. 81, sec. 9 (7).
14. Revised Code of Washington Annotated (1962), sec. 84.36.050.
15. Iowa Code Annotated (1962), sec. 427.1.
16. Edwards, op. cit., pp. 1048,49.
17. E.g., see Marton Larson and C. Stanley Lowell, Praise the Lord for Tax Exemptions (Robert B. Luce Inc.: Washington, 1969).
18. The New York Times, May 5, 1970, p. 42.
19. South Dakota Compiled Laws (1967), sec. 10-4-12.
20. Annot., 159 A.L.R. 685.
21. YMCA v. Douglas County, 60 Neb. 642, N.W. 924 (1900).
22. See Appendix for a discussion of the questionnaire results.

23. Cambridge v. Middlesex County Commissioners, 114 Mass. 337 (1874).
24. Assessors of Worcester v. Knights of Columbus, 329 Mass. 532 (1952).
25. Milton Hospital v. Board of Assessors of Milton, unpublished decision of the Appellate Tax Board, August 10, 1970.
26. Arizona Revised Statutes Annotated (1956), sec. 42-2.71.
27. Nevada Revised Statutes (1957), sec. 361.110.
28. Arkansas Statutes Annotated (1947), sec. 84-206.
29. Annotated Code of Maryland (1957), art. 81, sec. 9.
30. The New York Times, November 25, 1969, p. 34.
31. Larson, op. cit. p., 55.
32. Report of the Commission (Rhode Island) to Study Tax Exemption Laws, May 7, 1968, p. 4. Larson, op. cit., pp. 133-135.
33. Annotated California Code (1970), sec. 254.5.
34. Colorado Legislative Council, Property Tax Exemptions in Colorado (Nov., 1966), pp. 12-16.
35. Commerce Clearing House, State Tax Guide: All States (Chicago, 1970), pp. 2057-63. This publication contains a very useful listing of the major tax provisions of all the states. Statements of the number of the various type exemptions across the country were obtained from: George Winckler, "Exempt Property Study in South Dakota, Assessors Journal, IV (January, 1970), pp. 23-38; U.S. Advisory Council on Intergovernmental Relations, The Role of the States in Strengthening the Property Tax, Vol. 1 (Washington: U.S. Government Printing Office, 1963), pp. 78-82; U.S. Bureau of the Census, Census of Governments, Taxable Property Values (Washington D.C.: U.S. Government Printing Office, 1968), pp. 4-6.
36. Commerce Clearing House, op. cit., p. 2087.
37. Ibid. p., 2169.
38. Ibid., p. 2052.
39. Ibid., p. 2038.
40. U.S. Bureau of the Census, Census of Governments, 1967, Vol. 2, Taxable Property Values (Washington D.C.: U.S. Government Printing Office, 1968), pp. 4-6.

41. Arizona, Constitution, Art. IX, sec. 2.
42. Annotated Code of Maryland (1957), art. 81, sec. 9 (24).
43. Kentucky Revised Statutes (1962), c. 132, s. 200.
44. Commerce Clearing House, op. cit., p. 2160.
45. Minnesota Statutes Annotated (1969), sec. 272.02.
46. California, Constitution, Art. XIII, sec. 123.
47. Commerce Clearing House, op. cit., p. 2052.
48. Ibid. p. 2120.
49. Wall Street Journal, August 18, 1964.

THE VALUATION PROBLEM

For lack of better data, extensive use is made in this study of exempt property valuation figures officially reported by local assessors. Even by the admission of assessors themselves, the figures reported to the Department of Corporations and Taxation on Form 121 1/ are often not really indicative of the fair cash value of the exempt property. At the same time, it has been amply demonstrated that in many cities and towns, taxable property is not valued at its fair cash value, as required by law. Therefore, any attempt to interpret total exempt valuation figures as a percentage of total valuation (taxable plus exempt) in a particular city or town must consider the relationship of both exempt and taxable valuations to their fair cash value. Failure to take both into consideration has seriously distorted the exempt property picture which has been given to the Massachusetts public.

A Taxpayers Foundation questionnaire (Appendix III) sent to the board of assessors in each city and town in the State, included three questions (Nos. 4, 5 and 6) which related to the valuation of exempt property.

General Statements

As the following discussion of the questionnaire results indicates, there is much evidence as to the unreliability of exempt property valuation figures. There are several reasons for this. The first is that assessors see little reason for going to the trouble of trying to obtain accurate figures. No benefit is felt to be derived from the effort, and the only compelling reason for it is compliance with the legal requirement. This explanation is confirmed by some statements which were made in response to questions 5 and 6. The following are responses to question 5:

"Very little attention has been paid to this because it did not affect local collections."

"Being exempt from taxes, we pay small attention to the valuation for it does not matter what the valuation is for qualification for exemption."

"As it produces no revenue for the town, we waste very little attention on it."

One town indicated that it arrived at exempt valuation figures "by estimation." Another indicated that it used the "old book" which would mean that the values are outdated and probably understated. Some answers to question 6 about the revaluation of exempt property also illustrate the failure of the assessors to devote much time to it. One town indicated that it used original cost figures, some of which were fifty years old. Another responded that it had "no program" for the revaluation of exempt property. Another indicated that the "values on exempt real estate have been carried the same

for a number of years." Another indicated that there was "not much change from the initial valuation!" Another said that he "carried over original values." Several others indicated either that exempt property had not been revalued for years or had not been revalued since its first appraisal.

Another apparent reason for the failure of the assessors to exercise much care in valuing and revaluing exempt property is that it is different in nature from other types of property and in many respects more difficult to appraise. Of the generally accepted methods of valuing property (capitalization of income, comparative sales, and reproduction cost minus depreciation), all are either inappropriate for most forms of exempt property or require an effort which seems unjustified simply "for the record!" Questionnaire results indicate that some cities and towns do use the ~~re~~productive method to some extent in combination with other methods. However, very few indicated primary reliance on it. Several cities and towns said that they tried to use the comparative sales method when comparative data was available, and a few admitted that in some cases, not much data was available. Apart from the unique character of most institutional buildings, and the rarity of sales, the willing buyer, willing-seller rule seldom applies to sales that do occur. The third valuation method -- income capitalization -- almost never applies meaningfully to the types of income generated by such exempt institutions as hospitals, churches, orphanages or schools.

Use of "ABC" Forms

About two dozen municipalities indicated either sole or primary reliance on the "ABC" forms as a means of arriving at exempt values. About ten used it half of the time, and some twenty indicated that they used this method part of the time or in combination with other methods. This is a very convenient method for the assessors to use since it involves little time or effort. The assessors do not have to examine the property, nor do they have to become involved in fact-gathering and computations as they do with standard valuation methods. They merely reproduce the value of the real estate which is listed on the forms. The figures on the "ABC" forms submitted by private institutions ordinarily reflect the book value of the property as determined by the institutions themselves. These book values are probably based, most often, on the original cost of land and the construction cost of buildings. In some cases, there may be a deduction for depreciation. The result of using these figures for the exempt valuation figures will be in most cases to underestimate the fair cash value of the property. Over time, land and building values tend to appreciate in value, while book values on the "ABC" forms either remain constant or are dropped. Examination of the forms for particular institutions over a period of time indicates that this is generally the case, and the same values on real estate are carried over from year to year.

Original Cost

Similar results are attained by use of original cost data. Over fifty cities and towns indicated some reliance on this method. This is a convenient method for valuing public (especially municipal) exempt property, where the original cost data are readily available. Some of the responses to this question indicated use of this method for public property.

A number of cities and towns listed "original cost" and use of the "ABC" forms as the methods used in valuing exempt property, thus combining the most convenient methods for public and private exempt property.

The original cost base, like the "ABC" form, generally means that the valuation figures are rarely changed. Examination of some Form 121's shows that the valuation for many parcels of exempt property are the same each year in the cities and towns which use the "ABC" forms or original cost to value exempt property. Using original cost data, like using the "ABC" forms, probably also results in understatement of the valuation of exempt property.

Other Methods

Some of the questionnaires listed other methods of valuation. These include insurance company appraisals and valuation by professional appraisers. Some mentioned the costs listed on building permits, which usually tend to be less than original costs.

Revaluation Methods

About 18 questionnaires listed choice "a," annual comprehensive revaluations in response to the revaluation question, and as would be expected, most were the smaller towns. Some of the "a" responses to question 6 were couples with "d" (use of "ABC" form) responses to question 5. If the assessors do change exempt property valuation figures each year according to changes in the figures on the "ABC" forms, then it can be said that in a sense they do have annual comprehensive revaluations. About thirty questionnaires indicated "b," annual adjustments on a selective basis as means of revaluing property. Use of this method implies an answer of "a," "c" or "d" on question 5. Choice "b" would be inappropriate since a valuation arrived at by the original cost method is unlikely to change. About fifty questionnaires reported choice "c," occasional comprehensive revaluations at regular intervals. Many of these indicated that exempt valuations are changed when the entire town is revalued. However, several of the cities and towns which indicated occasional comprehensive revaluations have not had such a revaluation of exempt property since the 1950's. Some of the cities and towns which indicated use of "ABC" forms for valuing exempt property indicated no program at all for revaluation of such property.

Valuation Ratios

Question 4 asked for estimates of the relationship of exempt property valuation figures to the fair cash value of exempt property. Appendix I contains the listing of the ratios for the cities and towns which responded to that question. The table shows a range of reported ratios from 10 percent to 100 percent. Except in a few instances, the ratio responses are remarkably close to what might be expected from answers to questions 5 and 6 on valuation and revaluation practices. For example, as already noted, the use of the "ABC" forms would be likely to result in understatement of the value of exempt property. The table shows that virtually all the cities and towns which used this method did report low exempt ratios. Most are below 50 percent and some are as low as 20 percent. Only one town was listed at 100 percent.

The same results hold true for cities and towns which used original cost data for exempt property valuations which also implies a low ratio. Most of these ratios were below 50 percent also, and none was higher than 75 percent. To get a 100 percent ratio of exempt property to its fair cash value, as argued above, the methods most likely to be used would be sales data, or replacement cost. Of all the cities and towns which listed their ratio as 100 percent, several listed replacement cost only, as the method used. Two listed sales data only. Some used the two methods together, and all the rest used "a" in combination with other methods. One indicated sole reliance on "d." Another one indicated reliance on professional appraisers. One town claimed 100 percent valuation of land and a lower ratio for buildings. Significantly, this town indicated on the questionnaire that it used the sales price approach to determine the value of the land. As would be expected, a town which used insurance company appraisals to value exempt property also listed its ratio as 100 percent.

In a substantial number of cases, the reported ratio is lower for land than it is for buildings. There can be many reasons for this. Since buildings do depreciate in value while land does not, valuations based on original cost figures or cost figures on "ABC" forms will tend to understate land values more than building values. Also, buildings are likely to be revalued because of changes or additions to existing structures while land values are left unchanged.

Different ratios for land and buildings may distort an analysis of the distribution of the various categories of exempt property, to the extent that some categories, especially in the public sector, are more land-intensive than others. Determination of the degree of this distortion is handicapped by the fact that the "121" forms do not separate exempt property valuation figures into separate values for land and buildings.

Taxable Valuation Figures

The problem of the validity of valuation figures, of course, is not confined to exempt property but extends to taxable property valuations as well. All property is required by law to be assessed at its fair cash value. ^{2/} However, it is obvious that many cities and towns in the State assess at less, and in some cases, much less than fair cash value. By statute, the State Tax Commission is charged with the task of determining the fair cash value of taxable property in each city and town in the State every two years. Examination of the results of the Commission for 1970 indicates that only three cities and 45 towns were found to be assessing taxable property at 100 percent of its fair cash value. In fact, 24 cities and 114 towns were listed as having assessment ratios of less than 50 percent.

Complicating any comparison of taxable with exempt property is the fact that in some cities and towns the ratios for exempt property and taxable property are substantially different as Appendix I shows. Hence, the use of unadjusted valuation figures in arriving at an exempt-to-taxable ratio may result in a serious distortion of the result.

A Note on Personal Property

Further distortions may result from the use of exempt property valuations which include exempt tangible personal property. Many cities and towns do not list exempt personal property on their Form 121's as they are required to do. When such incomplete forms are received at the Department of Corporations and Taxation, the statisticians do insert, instead, figures for the value of tangible personal property from the Form ABC which the private institutions must file. However, this cannot be done for public property as well. As a result, the "private" categories which contain the personal property valuation figures are overstated in respect to percent exempt of total valuation, while the "public" categories are understated. For the cities and towns with large private institutions having large amounts of exempt personal property, the effects will be greater, as illustrated in succeeding chapters.

FOOTNOTES

1. G.L., c. 59, s. 86.

2. G.L., c.59, s. 38.

3. The State Tax Commission is required to determine the fair cash value of taxable property in each city and town in the State every two years. G.L., c. 58, s. 9. The ratios are obtained by dividing the equalized valuation for each city and town by its assessed valuation. Ratios are listed in Massachusetts Taxpayers Foundation, 1970 Tax Rates (Boston: November, 1970).

EXEMPTIONS FOR EDUCATIONAL AND MEDICAL INSTITUTIONS

The justification usually given for the exemption of most types of institutional property is that the institutions are performing functions which are public in nature and which government would otherwise have to perform. The tax exemption is the quid pro quo for the performance of a public function.

The effect of the tax exemption is to establish an equivalence between the private institution and its tax-exempt public counterpart. In cost-benefit terms, the private institution -- college, school, hospital, clinic -- is generally on a comparable footing with its public equivalent: it imposes comparable costs on municipal government and it confers comparable benefits on its neighborhood, community and state. Failure to grant an equivalent tax exemption to the private institution would place it at a price disadvantage in competition with its public counterpart.

This chapter considers the value of the tax exemption given to educational institutions and hospitals in relation to their operating expenses and also in relation to the probable cost of providing equivalent services in tax subsidized public institutions. The data demonstrate how serious the already large discrepancy (tuition rates, room charges, etc.) between private and public institutions, could become with the termination or limitation of tax exemption.

Dominant Role of Private Colleges

Massachusetts abounds in private educational institutions. Their impact on educational development in the state and the nation is unquestioned. In more concrete terms, their continued dominance in Massachusetts education can be readily measured in terms of number of institutions, plant investment, expenditures, enrollments, and degrees granted. Together they account for the greater part of all exempt property classified in the "literary-scientific" category. Of some \$1.1 billion of exempt values in this category in 1968, private higher educational institutions accounted for more than half. Much of the remainder was accounted for by private elementary and secondary schools, principally parochial schools.

Institutional Data

Of 106 institutions of higher education in 1969, 77 were private institutions. Private colleges outnumbered their public counterparts in every category except two-year colleges, as shown in the following table:

TABLE E-1

NUMBER OF INSTITUTIONS OF HIGHER EDUCATION
BY TYPE AND CONTROL: 1969

	<u>Public</u>	<u>Private</u>
Universities	2	11
Four-Year Colleges	9	31
Two-Year Colleges	15	14
Professional & Technical Schools	3	17
Theological Schools	-	3
Graduate Schools	-	1
TOTAL INSTITUTIONS	29	77

Source: New England Board of Higher Education and Budget Recommendations, House No.1, 1969.

Two of the 11 private universities ranked among the nation's fifty largest colleges and universities in terms of 1958 enrollment. Boston University ranked 37th with a total enrollment of 24,694, and Northeastern University ranked 15th with a total enrollment of 35,619 -- the largest private institution of higher education in the country. 1/

Together the private degree-granting institutions granted 75 percent of the bachelor's degrees awarded in the State in 1968, 85 percent of the master's and first professional degrees and 95 percent of the doctoral degrees. 2/

Plant Investment

Almost 84 percent of the physical plant assets of Massachusetts' institutions of higher education in 1967-68 belonged to private institutions. Of a total of \$1,339 million of plant assets reported by the U. S. Office of Education, \$1,126 million belonged to private universities and colleges, and \$213 million belonged to public institutions. 3/

Even with the extraordinarily high state investment in university and college buildings since 1968, it is doubtful that the private share of plant investment has dropped below 80 percent. The greater part of the \$350 million projected expenditure for the new University of Massachusetts campus in Boston and the \$130 million projected expenditure for the medical school in Worcester remains to be made.

The large private share of plant investment undoubtedly reflects the high private investment in books, apparatus and other tangible personal property in comparison with the public institutions. In their generally longer history, the principal private colleges have been able to develop libraries and other physical facilities of a quality unmatched by most of the public institutions. According to the Board of Higher Education in 1968, there was no public institution of higher education in the State with a library which met even minimum standards of adequacy. 4/

For the same year, 1968, the reported exempt valuation of private higher educational institutions was \$615 million -- far below the \$1.1 billion reported by the Office of Education. How much of the difference is attributable to the incompleteness of tangible personal property values in the exempt figure and how much to other differences in valuation methods cannot be determined from the available data.

Revenues and Expenditures

The dominant position of private universities and colleges is also reflected in their revenues and expenditures. According to data of the National Center for Educational Statistics, all institutions of higher education in Massachusetts received \$861 million in current fund revenues for the year 1967-68. Of this total, \$739 million or 86 percent was received by private institutions. Of \$847 million of expenditures for the same year, \$737 million or 87 percent was spent by private institutions, a substantial part of it for non-instructional purposes. 5/

The public share of expenditures has undoubtedly risen sharply since 1968 and will continue to do so, consistent with the rising proportion of college students in public institutions and the upgrading of the institutions. It has been estimated that the tax-supported costs of higher education, based on Board of Higher Education enrollment projections, will reach \$284 million in 1975-76 and \$633 million in 1980-81 as compared with only \$27 million in 1965. 6/

Enrollments

In 1969, 282,442 full-time and part-time students were enrolled in Massachusetts institutions of higher education, according to the U. S. Office of Education. Of this number, 184,175 or 65 percent were enrolled in private institutions, with 98,267 in public institutions. In no other state was the private share nearly as high. 7/

A survey by the New England Board of Higher Education found that 42 percent of the total 1969 enrollment in the private institutions

were residents of Massachusetts. 8/ Applying this figure to the Office of Education enrollment data results in 77,353 Massachusetts residents in the private institutions.

Other studies have shown that the number of non-residents attending Massachusetts institutions, approximately 107,000, far exceeds the number of Massachusetts residents attending out-of-state universities and colleges. Correspondingly, the benefit of Massachusetts tax exemptions accruing to non-residents exceeds the benefit of exemptions in other states accruing to Massachusetts residents.

Continued growth in the demand for higher education in both the public and private sectors can be expected. The Board of Higher Education predicts total enrollments will reach 524,000 by 1980. However, according to the Board's report, despite the present dominance of the private institutions, the public sector will grow at a greater rate than the private sector as a result of many factors including the rapidly increasing costs of private education to the students, limitations on the financial capabilities of the private institutions, and the historic low-tuition policy at the public institutions. By 1980, the report says, the public institutions can be expected to handle over 40 percent of all students enrolled in the State as compared with only 10 percent in 1955. The Board also notes that if the private institutions do not grow fast enough to meet the increasing demand, as seems likely, then the public sector could possibly be carrying over 50 percent of the higher education burden. 9/

Clearly, it has become the settled policy of the Commonwealth as expressed by the words and actions of the Board of Higher Education to absorb most of the future growth of college enrollments in the public system and to make little effort to utilize more fully the state's unmatched resources in private colleges and universities. This result is virtually assured by the Board's insistence on very low tuition rates in the state system and by the Legislature's unwillingness to provide more than token scholarship support to the private institutions. Any curtailment of tax exemption, especially as applied to the non-residential institutions, will widen the public versus private price differential and thus further the state policy of developing the public system.

Value of Tax Exemption

Dependable information of the value of tax exempt properties is lacking, as explained elsewhere in the present study. Accordingly, it is possible only to approximate the value to higher educational institutions of their tax exemption privilege. The total exempt valuation of real and personal property of higher educational institutions as reported by the State for 1968 was \$615 million. If the property of all of these institutions had been taxed in 1968 at the local rates and the reported valuations, they would have been taxed

for \$50.7 million.

Appendix Table A-4 lists the private institutions, the total exempt valuation for each institution in 1968, and the amount of tax that would have been due in that year without the exemption. Harvard University leads the list with a reported exempt valuation of \$98 million, and a potential tax liability of \$9.6 million.

The same table also shows the 1968 operating (current fund) expenditures for each institution and the relation of exempted taxes to expenditures. For all institutions together, reported expenditures were \$737 million, to which exempted taxes would have added \$50.7 million or about 7 percent. ^{10/} For many individual institutions, however, the added cost would have been much more burdensome. Williams College, for example, with a 1968 valuation of \$24 million, would have been liable for \$988,000 in taxes -- 12 percent of its 1968 expenditures. For Worcester Polytechnical Institute, taxes would have added 15 percent, for Simmons College, 17 percent; for Holy Cross College, 23 percent; and for Emmanuel College, 40 percent.

In a number of institutions where the added burden of taxes would be most severe, the proportion of commuting enrollment is high. For them it can be assumed that taxes or in lieu payments or service charges limited to residential and commercial-type property would add little or nothing to their costs.

Such comparisons of potential tax liability with institutional costs involve many statistical hazards and must be treated as crude approximations of the subsidy value of tax exemption. Apart from the unreliability of valuation data, the reported expenditures are distorted by the inclusion, for some institutions, of large disbursements for non-instructional purposes. A more refined analysis of selected institutions, to explore their ability to absorb additional municipal charges, is projected for future study. For the present it is sufficient to observe that the value of tax exemption for Massachusetts universities and colleges is in the neighborhood of \$50 million, possibly considerably more, and that more than half of this public subsidy, based on enrollment data, may be accruing to out-of-state students -- offset in part by the value of out-of-state tax exemptions to Massachusetts students.

Tax Benefit of Private Colleges

For purposes of argument only, and not as a realistic assumption, the private universities and colleges can be viewed as relieving the Commonwealth of the burden of educating some 77,000 Massachusetts residents now attending them. Obviously many of them would choose public or private colleges in other states, in preference to Massachusetts public institution. Thus 77,000 is an outside figure. The

average tax-supported cost (after tuition and fees) of operating the state's higher educational system, per student, in 1968-69 was approximately \$1,100. For 1971-72 it will probably exceed \$1,400. At the earlier figure, the cost of educating 77,000 additional students would have approximated \$85 million annually, to which should be added a very large amount, possibly approaching the same figure, for amortized plant costs.

An obvious, if precarious, conclusion to be drawn from these data could be that the subsidy now granted to private universities and colleges in the form of tax exemption is greatly exceeded by the prospective cost of shifting the entire higher educational burden to the State. With more certainty it can be said that, from the taxpayers' point of view, the greatest waste of all would be to pursue public policies which will promote public education at the expense of private education, thus wasting the incalculable human and physical resources of the state's private institutions. Apart from the immediate impact of a loss of tax exemption on the several institutions and their student bodies, the future impact on private college decisions whether or not to improve or expand their plants, if subject to local taxes, could be very great.

Elementary and Secondary Schools

Private institutions have also played an important, if declining, role in elementary and secondary school education. For 1969, 17 percent of the total 1,381,000 pupil population, 234,000 students, were enrolled in private schools -- principally church related schools. 11/ The decline in private school enrollment, which began in 1965, has been accelerating in recent years.

As in the case of the private colleges, the private schools can be viewed as having relieved the taxpayers of a significant burden. The cost of their tax exemption, in lost taxes, is not known. Nor is it possible to calculate the tax cost of transferring the private school enrollment to the public schools. At the 1969-70 average per pupil cost (inclusive of debt service and other capital expenses) of nearly \$1,000, the cost of educating 234,000 students and therefore the "benefit" to the taxpayers of private schools would exceed \$200 million. In fact, the cost would certainly be far less, with many local schools able to absorb additional enrollments at relatively small out-of-pocket costs. Nevertheless it can be argued for the schools as for the colleges that any public policy designed to obtain revenue from private institutions is likely to prove counterproductive by tending to weaken private institutions and shift a greater burden to the public institutions.

Financial Condition of Private Institutions

The poor financial situation of many private educational institutions in Massachusetts and other states has been well publicized. A recent report of the Governor's Select Commission to study the problems of Massachusetts colleges best illustrates the financial problems facing these institutions. According to the study, these institutions can expect increasing deficits:

Projections of revenues and expenditures developed during the study show that the private institutions of higher education will incur increasing deficits in the next few years unless new and substantial sources of revenue become available. 12/

It is projected that these institutions will incur total deficits of approximately \$20 million in 1972-73, \$50 million in 1975-76, and possibly \$140 million in 1980-81. 13/ The study foresees a decreasing enrollment as a result of these deficits:

If no action is taken to counter the projected deficits, the private colleges and universities will have increasing difficulty sustaining the current level of enrollments and maintaining their reputation for excellence . . . and of more serious consequence, continuing financial deficits may even call into question the future existence of a number of private institutions. 14/

The study notes that a decrease in private enrollments means an increasing enrollment in the public institutions:

Such actions by the private institutions of higher education would place an increasing moral and financial burden on the public institutions of the Commonwealth --- over a period when Massachusetts is likely to face increasing shortages of education spaces to 85,000 by 1980. 15/

As a result of its belief that "by serving a substantial number of Massachusetts residents, the private colleges and universities relieve the Commonwealth of the responsibility of educating those residents solely at public expense," 16/ the Commission proposed an aid formula for private institutions. It is ironic that a public commission would be advocating state aid for private universities and colleges at the same time that critics are arguing for their taxation.

Private Hospitals

The role of private medical care institutions in the State is analogous to that of the private educational institutions. These institutions are performing services which, in their absence, the State or municipalities would unquestionably have to provide.

Available statistics show the dominance of private hospitals in the provision of acute, short-term general or special hospital services. The American Hospital Association reported 140 such hospitals in the State in 1969. Of these, 115 were private, non-profit, tax-exempt institutions; only 15 were publicly owned. 17/

The private institutions in 1969 handled 705,254 or 90 percent of all admissions compared to 78,744 in the public hospitals.

The private institutions reported 1969 expenditures of \$611 million or 89 percent of the total compared to \$73 million by the public hospitals.

The private institutions reported total assets of \$998 million, including invested funds, compared to \$65 million owned by the public hospitals. 18/

Appendix Table A-5 lists all of the private hospitals whose valuation was available from the Form 121's or from the five-year valuation books. The names of the hospitals were supplied by the Massachusetts Department of Public Health and the American Hospital Association. The total valuation shown for all the listed hospitals was \$382 million. Taxed on these valuations, at the local tax rate in 1968, their combined tax liability would have been \$37 million, adding 7.3 percent to their reported current expenditures for that year. 19/ This, by coincidence, agrees almost exactly with the tax impact that was found for private colleges.

For many individual hospitals, the exempted taxes represented much higher percentages of expenditure: for Beth Israel Hospital in Boston, 15.2 percent; for Cardinal Cushing Hospital in Brockton, 23.9 percent; and for Bon Secours Hospital in Methuen, 41.4 percent.

Public general hospitals increasingly have tended to set patient charges at rates sufficient to meet all or most of their current costs. Accordingly, the tax subsidy given to these public institutions falls far short of that for the low-tuition public colleges and consists mainly of capital outlays for buildings and equipment. The impact on taxpayers of a shift of patient loads from private to public institutions, if precipitated by removal of the tax exemption privilege for private hospitals, would therefore be far less than in the case of the colleges. The differences between the two classes of exempt institutions, however, are for the most part only ones of degree. One significant difference is the absence of any strong public policy supporting expansion of the public hospital system, comparable to the entrenched low-tuition policy for the public colleges.

FOOTNOTES

1. U.S. Office of Education, National Center for Educational Statistics, Digest of Educational Statistics, 1969 (Washington: U.S. Government Printing Office, 1969), p. 62.
2. U.S. Office of Education, Earned Degrees Conferred, 1967-68 (Washington: U.S. Government Printing Office, 1969), pp. 6,7.
3. U.S. Office of Education, National Center for Educational Statistics, Financial Statistics of Institutions of Higher Education: Current Fund Revenues and Expenditures; Physical Plant Assets (Washington: U.S. Government Printing Office, 1970), p.137.
4. Annual Report of the Massachusetts Board of Higher Education, 1968.
5. U.S. Office of Education, National Center for Educational Statistics, Financial Statistics of Institutions of Higher Education , op. cit., pp. 16,82.
6. From figures compiled by the Massachusetts Taxpayers Foundation Inc.
7. U.S. Ofiice of Education, Opening Fall Enrollment in Higher Education. 1969 (Washington: U.S. Government Printing Office, 1970), pp. 13,16.
8. New England Board of Higher Education, Facts About New England Colleges and Universities: 1969-70 (Wellesley, 1970). The 42% figures should be considered an estimate. The Board's figure for the previous year was 48%. A recent study gives a figure of 49% for 1969 with part-time enrollment adjusted to a full-time equivalent basis. Financial Problems of Massachusetts Private Higher Education, Report of the Select Committee for the Study of Financial Problems of Private Institutions of Higher Education in the Commonwealth of Massachusetts (December, 1969), p.3.
9. Massachusetts Board of Higher Education, Higher Education Enrollment Study for Massachusetts (January, 1969), p.11.
10. Since "ABC" forms,which list an institution's expenditures, were not available for each institution, the U.S. Office of Education figure for total expenditures was used.
11. U.S. Department of Commerce, Statistical Abstract of the United States: 1970 (Washington: U.S. Government Printing Office, 1970), p.106.

12. Financial Problems of Massachusetts Private Higher Education, op. cit., p. 3.
13. Ibid., p. 2-1.
14. Ibid., p. 3.
15. Ibid., p. 4.
16. Ibid., pp. 4,5.
17. Ten were private proprietary hospitals.
18. Hospitals, Journal of the American Hospital Association, XLIII, (August, 1969), p. 480. Other hospitals in the State as reported by the Association include 10 federal hospitals, 30 psychiatric hospitals, 2 tuberculosis hospitals and 24 long-term general and other special hospitals. It is sufficient to confine the analysis to the short-term hospitals since they accounted for 811 out of 884 thousand hospital admissions in the State, including Federal.
19. The tax cost for the five institutions which did not report an expenditure figure were omitted from the total to make the figures comparable.

DISTRIBUTION OF EXEMPT PROPERTY IN MASSACHUSETTS

Table F-1 gives the total valuation of exempt and taxable real and personal property in Massachusetts for each year since 1950, as reported by local assessors to the Department of Corporations and Taxation. The data on exempt property were obtained from the "121 forms" filed annually with the Department. As discussed in Chapter D, because of valuation procedures, the exempt property totals are not very reliable indicators of the true value of tax exempt property in the State. The figures give a conservative estimate.

Incompleteness of Data

The exempt property valuation totals are inaccurate and understated for reasons other than the valuation procedures. The totals listed here do not include all the exempt property in the State. Not all cities and towns submit their Form 121's each year as required by law. 1/ The Department, in compiling the exempt property data, will use the most recent Form 121's for the cities and towns which do not file for that particular year. Some of the returns used are over five years old. For example, as of August 1970, at least one city and 25 towns had failed to file "121 forms" for 1969. Two towns had not filed since 1961, and two since 1963. Several had not filed since 1967 and 1968. As a result, much exempt property added since the last filed returns is not included in each yearly total.

The totals are also incomplete because many assessors fail to include the valuation of exempt tangible personal property as required on Form 121. At the Department of Corporations and Taxation, the statisticians fill in omitted tangible personal property valuations by using a figure from the "ABC" form filed by private exempt institutions and organizations. This, however, still excludes publicly owned exempt personal property. Also, the "ABC" forms are not always available to the Department. Some organizations do not file as required by law and some cities and towns fail to forward the "ABC" forms they receive to the Department as required. 2/ Therefore, the reported exempt property totals are understated to the extent that personal property is not included.

The exempt property totals for the State do not include land used for public streets and highways, and railroads. Streets and highways are exempt as public property used for public purposes. They are rarely included on the Form 121's. According to the Department of Public Works, there are 28,840 miles of roadway in the State. Railroads are exempt as private property used for a public purpose. There were 1,495 miles of railroad in the State in 1968. 3/ Since the width of the exemption is five rods, there were nearly 15,000 acres of such exempt railroad land which were not included in the totals.

TABLE F-1

TOTAL EXEMPT AND TAXABLE
REAL AND PERSONAL PROPERTY VALUATIONS:
MASSACHUSETTS: 1950 - 1968

(In Thousands)

	<u>Taxable Valuation</u>	<u>Exempt Valuation</u>	<u>Total Valuation a/</u>	<u>Percent Exempt of Total</u>
1950	\$7,233,277	\$2,129,617	\$9,362,894	22.7%
1952	7,713,941	2,414,491	10,128,432	23.8
1954	8,130,110	2,671,442	10,801,552	24.7
1956	8,589,567	2,968,560	11,558,120	25.7
1958	9,214,511	3,273,087	12,487,598	26.2
1960	9,855,874	3,652,664	13,508,539	27.0
1962	11,018,040	3,969,591	14,987,632	26.5
1964	12,371,256	4,540,027	16,911,282	26.8
1966	14,979,264	5,353,115	20,332,379	26.3
1968	17,864,749	6,195,683	24,060,432	25.8

a. Details may not add to totals due to rounding.

Source: Department of Corporations and Taxation.

The partial exemptions can also distort the exempt property totals. Varying procedures are used by the assessors in listing the value of parsonage exemptions on Form 121. Since only \$20,000 of the valuation of such property is exempt, some cities and towns will list only the exempt portion of the property. Some list the valuation of the entire property, exempt and taxable. This may also be true when an assessor exempts a portion of a particular parcel of property used partly for exempt purposes. Some list the total valuation of the property on the Form 121, while others list only the exempt portion.

Valuation Totals

Although the exempt property valuations are incomplete and unreliable, they are useful in illustrating the trends in the value of exempt property and in the relation of the exempt valuations to taxable property valuations. Also, the absolute value of the figures themselves is not as significant as are the relationships between categories of exempt property and the changes in these relationships.

Table F-1 shows that for the early part of the period, the yearly increases in the valuation of exempt property were greater than the increases in taxable valuation. The exempt increases were mostly between 4 and 6 percent, while the taxable valuation increases were between 2 and 3 percent. In 1964 exempt property began to increase at a greater rate. However, after 1961, following the Springfield court decision barring fractional assessments, the increase in taxable valuations accelerated and exceeded the exempt valuation increase for the four yearly intervals after 1964.

The valuation of exempt property as a percentage of the total valuation, exempt and taxable, is often used as a measure of the importance of exempt property relative to taxable property. For the State, the growth in the percentage exempt of total valuation has been slow. After 1950 there was a gradual increase, from 23 percent to 27 percent in 1960. Since 1960, the figure has been slowly decreasing with more marked decreases since 1964 reflecting the greater increases in taxable valuation. Although the total reported exempt valuation in the State has almost tripled from 1950 to 1968, reaching over \$6 billion, the percent exempt of total valuation in the State has risen a modest three percent to 25.7 percent.

Categories of Exempt Property Data

Appendix Table A-1 gives the breakdown of each year's total exempt property valuation by category. These categories correspond

to the ones listed on Form 121. On the form, the assessors must list, under the appropriate category, each owner of exempt property and the total value of its exempt personal and real property. The data is summarized annually by the Department of Corporations and Taxation. The exempt property table was formerly published as Table N in Public Document Number 16, The Annual Report of the Department of Corporations and Taxation. Although Public Document 16 has not been published since 1949, the table is still being compiled.

Most of the categories on the table are self-explanatory. The "United States" category includes all property owned by the Federal Government. Table F-2 shows the distribution of Federal property in the State by use.

TABLE F-2
FEDERAL PROPERTY BY USE AND ACREAGE

	<u>Acres</u>
Airfields	10,980.0
Agriculture	2.4
Forest and wildlife	9,971.8
Parks and historic sites	15,606.9
Office building locations	148.8
Military, excluding airfields	13,831.1
Flood control and navigation	17,420.5
Vacant	16.9
Institutional	598.7
Storage	63.7
Industrial	799.8
Research and development	19.1
Other	<u>552.8</u>
 TOTAL	 70,012.5

Source: U. S. General Services Administration, Inventory Report on Real Property Owned by the United States Throughout the World (Washington: U. S. Government Printing Office, 1969), pp. 68-87.

Massachusetts, in 1968, had 430 federal installations and federal property occupying 70,012.5 acres, 1.39 percent of the total acreage of the State. The Federal Government owned 6,292 buildings. The leading uses were for flood control and navigation, parks and historic sights, and military uses. 4/

The "Massachusetts" category includes all property owned by the Commonwealth, and also includes property of the Metropolitan District Commission (MDC) and the authorities. Table F-3 shows the distribution of state owned property in the State by use and acreage.

TABLE F-3

STATE OWNED LAND BY USE AND ACREAGE: 1968

	<u>Acres</u>
I. Occupied	
A. Aviation facilities	119.9
B. Buildings and ground sites	10,710.9
C. Farmland	6,545.0
D. Quarries	111.3
E. Recreation	44,127.0
F. Roadways	1,892.7
G. Water	36,884.5
H. Water course	3,356.2
I. Managed forest	174,536.2
J. Other	<u>290.2</u>
TOTAL	278,574.3
II. Unoccupied	
A. Wetland	9,008.3
B. Rugged	98,968.1
C. Non-rugged	<u>19,249.2</u>
TOTAL	127,218.6
GRAND TOTAL	450,792.9

Source: Massachusetts Comptrollers Office.

Predictably, state forests lead all other categories in acreage. There were 4,389 buildings on the occupied land devoted to 197 different types of uses. These included storage facilities, laboratories, slaughterhouses, skating rinks, and saw mills. 5/

The "city and town" category includes all property owned by a city or town and devoted to public use. Form 121 lists the following kinds of municipal property:

Highway Department	City or Town Hall
Schools	Sewer Department and System
Hospital	Libraries
Infirmary	Fire Department
Police Department	Sealer of Weights and Measures
Tax Possessions	Parks and Playgrounds
Cemeteries	Municipal Lighting Plant

The "literary-scientific" category includes such items as schools, colleges, academies, historical societies and libraries. These two categories are listed separately on Form 121, but combined in Table N, and this practice is utilized in this study. The Department also combines the "charitable," "benevolent," and "temperance" categories from the "121" forms. This is a good practice since the line between a charitable and a benevolent institution is not clear, and assessors show no consistency in classifying property as "charitable" or "benevolent" on Form 121. Private hospitals and orphanages would come under this category. Though the "temperance organization" category is combined with the other two, it is insignificant in total valuation. In 1968, the total valuation for exempt temperance organizations in the State was only \$72,412.

The "literary-scientific" and the "charitable, benevolent, and temperance" categories refer to private property only. Thus, a state college is included in the "Massachusetts" category and not as a "literary-scientific" institution. Similarly, a city hospital is in the "city" rather than the "charitable" category.

The category "houses of religious worship" is supposed to include only property used for church purposes. A church connected charitable organization is properly placed in the "charitable, benevolent, and temperance" category. Parochial schools should be in the "literary-scientific" category.

It can be concluded that there is little consistency among the assessors in assigning property to the various categories on the "121" forms. In some cases, not much care is exercised in filling out the form. This is demonstrated by shifting of items on the "121" forms by the statisticians at the Department of Corporations and Taxation when in their judgment, they were inappropriately classified. A glance at the "121" forms in the Department offers countless examples of items in incorrect categories which were later changed in the Department.

It is worth noting here the care with which the exempt property table is compiled by the Department. Each year as the Form 121's are received, they are checked to see if each property is listed in the appropriate category. Personal property valuations from the "ABC" forms are entered for those cities and towns which do not list such figures. The "121" forms are also checked against the forms for previous years, and against the "ABC" forms to see if any property has been omitted. The "121" forms are also checked against the "ABC" forms to determine which organizations did not send in their "ABC" forms. In such cases, the assessors in the city or town are notified and asked to obtain the form.

Unfortunately, the two tables discussed above contain no data for the years since 1968. Due to the heavy workload in the responsible bureau in the Department of Corporations and Taxation, there is always a considerable delay in completing the summary table. For example, the 1968 figures were not available until mid-1970. Since the figures are no longer published, it is little wonder that this work has a low priority.

Distribution and Trends by Category

Appendix Table A-1 shows that Massachusetts property, city and town property, literary and scientific institutions, and charitable, benevolent and temperance organizations are the most significant exempt categories, both in valuation and rate of increase of valuation. Table F-4 shows each category's share of the exempt total. For the sake of simplification, parsonages, religious organizations, and houses of religious worship are combined into one "religious" category, as are county and district property, and some of the smaller categories.

TABLE F-4

DISTRIBUTION OF EXEMPT PROPERTY VALUATIONS
IN MASSACHUSETTS BY CATEGORY: 1950 - 1968

	<u>1950</u>	<u>1960</u>	<u>1968</u>
Property of the United States	12.7%	7.9%	5.2%
Property of the Commonwealth	9.6	11.9	13.1
City or town property	43.7	39.3	39.5
Housing authorities	1.4	6.5	5.3
County or district property	<u>1.7</u>	<u>2.0</u>	<u>2.3</u>
Total Public	69.0%	67.5%	65.4%
Literary and scientific institutions	14.6	15.7	18.0
Charitable and benevolent institutions and temperance societies	7.4	9.0	9.5
Houses of religious worship <u>a/</u>	8.2	7.0	6.5
Other private <u>b/</u>	<u>.8</u>	<u>.7</u>	<u>.6</u>
Total Private <u>c/</u>	<u>30.5</u>	<u>32.5</u>	<u>34.6</u>
TOTAL	100.0%	100.0%	100.0%

a. Includes parsonages and personal property of religious organizations.

b. See Appendix Table A-1.

c. Details may not add to totals due to rounding.

Source: Department of Corporations and Taxation.

The predominance of publicly owned exempt property is striking; it accounts for nearly two thirds of all the reported exempt property in the State. Although down slightly from a high of 69 percent in 1950, since 1965 the "public" percentage has remained a fairly constant 65 percent. Within the "public" classification, city and town owned property is and has been the most significant, accounting for nearly 40 percent of all exempt property in the State in 1968. State owned property has been steadily increasing, reaching 13 percent of the total exempt valuation in 1968. Property of the United States is small and a decreasing part of the total. Under the private classification, the property of literary-scientific institutions has been the most significant and fastest growing category, reaching 18 percent of the total in 1968. This is undoubtedly due to the physical expansion of private colleges and universities in the State and is discussed in detail in Chapter E. The "charitable, benevolent and temperance" category has been rising steadily in relation to the total. The "religious" categories account for only 6.5 percent of the total exempt valuation, and this percentage has been decreasing fairly steadily. The remaining "private" categories account for a relatively insignificant portion of the total exempt valuation.

To the extent that personal property, especially publicly owned, is not completely reported in these exempt valuations, the distribution by category is distorted. Table F-5 below reports, for the same categories, the distribution of exempt real property only.

TABLE F-5

CATEGORIES OF EXEMPT REAL ESTATE AS A PERCENTAGE OF THE
TOTAL EXEMPT REAL ESTATE IN THE STATE :

1968

United States property	5.58%
Massachusetts property	14.33
Housing authorities	5.82
City and town property	38.34
County and district property	<u>2.16</u>
Total Public <u>a/</u>	66.23%
Literary-scientific	17.35
Charitable, benevolent, temperance	8.78
Religious	7.02
Other private	<u>.60</u>
Total Private <u>a/</u>	33.75%

a. Figures may not add to totals due to rounding.

Source: Department of Corporations and Taxation.

Using real property only gives a "public" percentage of 66.23, while using real and personal property gives a percentage of 65.44. The two dominant categories of private property, "literary-scientific" and "charitable, benevolent, and temperance," show slightly smaller percentages of the total when only real property is considered. These are the institutions and organizations which list personal property valuations on the required "ABC" forms. The "religious" category rises slightly in value when considering real property only because these organizations do not have to file "ABC" forms.

Geographical Distribution

Exempt property is unevenly distributed in the cities and towns across the State. A glance at Appendix Table A-3 illustrates this problem. Area occupied by exempt property ranges from less than one percent of the total area in towns such as Westhampton and Acushnet to as much as 51 percent in West Springfield. In terms of valuation, the same is true. In Amherst, where the University of Massachusetts is located, 67 percent of the total real property valuation in the town is exempt. However, in several towns, less than 5 percent of all property valuation is exempt. For example, Deerfield, Lenox, and Groton have private academies; Amherst, Williamstown, and Worcester have colleges. State institutions such as hospitals, prisons, forests and schools are unevenly distributed across the State. The uneven distribution of exempt property is obvious. Less obvious is its effect on the tax rates in the cities and towns where exempt property is concentrated.

Reimbursements and Distributions

Discussion of the state exemption totals would be incomplete without mentioning the revenue given by the State to certain cities on account of exempt property. Table F-6 summarizes these payments.

TABLE F-6

STATE PAYMENTS TO CITIES AND TOWNS FOR TAX EXEMPT PROPERTY: 1971 a/

Loss of taxes on state owned property	\$2,014,448
Abatements to veterans	624,837
Abatements to widows and others	1,043,579
Urban redevelopment corp. excise (Chap. 121A)	4,169,976
Government Center Commission	357,570
Exempt manufacturing machinery	9,006,292

a. See Chapter B for explanation of the legal basis of these payments.

Source: 1971 estimates, "cherry sheet," Dept. of Corporations and Taxation.

The \$357,000 for the Government Center Commission is paid yearly to the City of Boston for taxes lost on account of the Government Center. The amount of the machinery distribution is set by statute.

The cities and towns also received payments in lieu of taxes from housing authorities. In 1968, \$467,568 was distributed. According to a spokesman for the Department of Community Affairs, the 1969 payments would be virtually the same. Housing authorities pay three dollars per unit per month, for the veterans projects only. No payments are made on account of housing projects for the elderly.

Summary

Despite the distortions and incompleteness of the exempt property data, the predominance of publicly owned property is established and likely to continue. As the degree and scope of governmental action increases, property owned by government will increase both in area and in valuation. This continued dominance by the public categories is significant because it occurred despite the physical expansion by numerous private educational and medical institutions in the State, and while the valuation of federal property was decreasing.

FOOTNOTES

1. G. L., c. 59, s. 86.
2. Ibid.
3. U. S. Department of Commerce, Bureau of the Census, Statistical Abstract of the United States, 1970 (Washington: U. S. Government Printing Office, 1970), p. 556.
4. U. S. General Services Administration, Inventory Report on Real Property Owned by the United States Throughout the World (Washington: U. S. Government Printing Office, 1969), passim.
5. Information obtained from Comptroller's Office.

DISTRIBUTION OF EXEMPT PROPERTY IN OTHER STATES

Federal Property

The distribution of the various kinds of exempt property varies considerably among political jurisdictions across the country. In the far western states, the Federal Government is a major property owner. So long as the population in these areas was small, and the demand for services was low, the impact of federal property on the tax base was minimal. As populations expand in the west, the large areas of public land become a handicap.

Approximately one-third of the total land area in the country is owned by the Federal Government; most of it is in the Far West. In 1968, the Federal Government owned 348.5 million acres in Alaska, 95 percent of the total acreage of the state. More than half of Idaho, Oregon, Nevada, and Utah is federal property. On the other hand, in five states (Iowa, Ohio, New York, Connecticut, and Maine) less than one percent of the area belongs to the Federal Government. 1.3 percent of Massachusetts is federally owned. Most federal land is under the control of the Departments of Agriculture and the Interior and is forest and wild life preserves. Other uses include 14 million acres of federal grazing lands in Idaho, 1.4 million acres of irrigation land in Utah, and 17,000 acres of "storage" land in Colorado. 1/

There are programs for reimbursement to states and municipalities for loss of taxes on federal lands. The Federal Government pays 25 percent of the revenues derived from grazing on public lands to the counties in which the land is located. It gives 25 percent of stumpage sales receipts to counties in which timber was cut to be used for public roads. It returns 37.5 percent of the revenue from oil and gas leases. It pays part of the cost of highway construction in some states with heavy concentration of federal land. There are many other small programs. 2/

Limitations of the Data

It is difficult to gain a complete picture of exempt property in other states. Most states, since exempt property yields no tax revenue, make little effort to value it. In some states local assessors do value exempt property, but often the data are not compiled or published. All told, about a dozen states periodically compile exempt valuation statistics. 3/ Ohio's Constitution requires that records on the value of exempt property be kept and published, 4/ and these figures are available. Connecticut requires that a report on tax exempt property in the State be made every four years by the Tax Commissioner. California publishes a good yearly breakdown of

privately owned exempt property in the State, but not of publicly owned property. Since exempt property has become a prominent political issue, there have been a number of special studies, some by legislative commissions, others by private organizations such as taxpayers associations. These reports contain many exempt property statistics. 5/

A 1960 report by the International Association of Assessing Officers gives a somewhat dated summary of exempt property reporting procedures across the country. In 25 states, there were in 1960 no statutory provisions governing reporting and valuation of exempt property. In some of these, such as California, data on exempt property were included in annual state reports on taxes. In 16 states the assessors had to account for exempt property valuations on separate rolls. In the remaining nine, the assessors reported exempt valuations on the assessment roll used for taxable property. The states that reported exempt property valuations differed in exemptions covered, in reporting real and personal property, or real property only. 6/

Statistics reported here on exempt property in other jurisdictions indicate the relative importance of each category of exempt property. Their use for interstate comparisions could result in serious distortions because of the unreliability of the data. A typical qualification in a California report reads: "Statistical data on the amount and value of property off the tax rolls under the welfare exemption are not precise as there is no incentive for the assessors to spend a great deal of time on properties which are exempt from taxation." 7/

New York City

As would be expected, New York City has large amounts of exempt property. Exempt property has been a lively political issue in the City, and efforts have been made to change the state exemption laws. The following table shows exempt property by category for New York City.

New York's total exempt valuation for 1969 of \$17.6 billion was 33.8 percent of its total valuation. In 1955, it was \$8.8 billion and 28.6 percent of the total valuation. In 1969 there were 124,640 exempt parcels and 819,805 taxable ones. 81.5 percent of the exempt total was publicly owned, with property of the City itself constituting 45.8 percent of the exempt total. In a separate category, property of the United Nations (\$88 million) and foreign governments totaled \$90,939,000 or 0.5 percent of the exempt total. 8/

TABLE G-1

EXEMPT REAL PROPERTY IN NEW YORK CITY
BY CATEGORY: 1969

	Valuation (In Millions)	Percent of Total Exempt Valuation
New York City	\$8,071.6	45.8%
Authorities	2,814.7	15.9
Housing	2,425.3	13.8
Federal	599.3	3.4
State	369.8	2.1
Foreign governments and U. N.	90.9	.5
Private		
Religious	\$754.7	4.3
Hospitals and asylums	680.3	3.9
Schools and libraries	877.0	5.0
Benevolent organizations	196.4	1.1
Cemeteries	163.3	.9
Veterans, parsonages	305.6	1.7
Railroads	283.8	1.6
Shelters	.0	.0
TOTAL a/	\$17,632.9	100.0%

a. Details may not add to totals due to rounding.

Ohio

Public property in Ohio accounts for 66.9 percent of the exempt total, resembling the distribution of exempt property in Massachusetts. 9/

TABLE G-2
EXEMPT REAL PROPERTY IN OHIO BY CATEGORY: 1971

	Valuation (In Millions)	Percent of Total Exempt Valuation
Federal	\$420.1	13.3%
State	324.7	7.3
Local government	1,732.0	46.3
Private colleges	262.8	6.2
Churches	664.9	15.6
Charities	345.6	9.7
Cemeteries	41.8	1.6
TOTAL a/	\$3,791.9	100.0%

a. Details may not add to totals due to rounding.

Because of poor fiscal conditions, many municipalities have initiated efforts to limit property tax exemptions, and to gain revenue from some heretofore exempt property.

Taxing Exempt Property

Many municipalities across the country have attempted to gain additional revenue by placing some property on the tax rolls which, in the judgment of the assessors, is not being used strictly for exempt purposes. This often is property used for revenue producing purposes or for activities which compete with private enterprise. In Providence, the City Council has directed the assessors to levy taxes on Brown University's football stadium and Meehan Auditorium, Alumni Hall at Providence College, and the physicians' office building at the Rhode Island Hospital. It is expected that these efforts will result in litigation. 10/ In Nashville, the assessors have placed several properties of Vanderbilt University on the tax rolls. This included, among others, the Chancellor's home, fraternity houses, and the faculty club. The assessors reason was that the properties were not devoted to educational purposes. 11/ The Tennessee Board of Equalization has recently ruled that the major portion of some \$35 million of property owned and operated by the Methodist publishing house and five other religious publishing establishments is taxable, since it is not being used exclusively for religious purposes, but is in competition with private enterprise and operated for profit. 12/

Revision of Exemption Laws

There have been many efforts, often initiated by the municipalities, to change state exemption laws and limit the number of exemptions granted. New York City has sought greater discretion in granting exemptions. The proposed legislation would have eliminated statutory exemptions, retaining only those on religious, charitable, and educational institutions required by the State Constitution. 13/ A new Nevada law permits counties to tax state property that exceeds 17 percent of the total value of all property on the county tax roll. 14/ Montana has recently enacted legislation which places a privilege tax on the possession or beneficial use by an individual or organization of property which is exempt from taxation. 15/ In 1960 Virginia passed a law enabling counties to tax personal property located on Federal installations, enabling Fairfax County to tax IBM for computers it leases to the CIA. 16/ A New Hampshire law imposes an interesting limitation on the exemption of property of educational institutions: if the value of the dormitories, dining rooms, and kitchens exceeds \$150,000 in total, the excess is taxable. 17/ The obvious effect of this

provision is to discriminate against large institutions. In South Dakota a bill was recently introduced to limit the exemptions granted to private institutions. By the time the bill made its way through the legislative treadmill, it had been emasculated. 18/ Thus, pressures to retain or even liberalize exemptions are frequently as strong as the countervailing efforts to limit or restrict them.

Special Assessments and Service Charges

Special assessments or service charges are another avenue whereby exempt property can be made to contribute to public revenue. In many states, institutions are exempt from taxation, but not from special assessments. In Minnesota, legislation to impose a service charge was submitted but not accepted. 19/ Oregon's House passed a bill imposing a charge equal to the cost of services to property. The Senate rejected it. 20/ Many jurisdictions impose water charges on exempt institutions, and some, including Denver, Nashville, and Milwaukee, have sewer charges. In 1966 Oak Park, Illinois adopted a 5 percent tax on gas, electric, telephone, and telegraph bills because it would apply to all property owners including exempt ones. 21/ A Kansas law allows municipalities to contract with charitable and religious organizations for the payment of service charges in lieu of taxes. 22/ Under a state enabling act, Pittsburgh adopted a privilege tax on the gross receipts of exempt institutions. The County Court ruled the tax invalid for hospitals and all other institutions of purely public charity. 23/

Massachusetts

In Massachusetts there have been some minor attempts to "crack down" on exemptions. In Waltham, the assessors voted to remove the exemption on facilities of Brandeis University occupied by the National Student Strike Information Center because they were being used for political rather than educational purposes. 24/ Assessors in Newton and Boston have warned that exemptions might be withdrawn in similar circumstances. As a result some schools have warned their students and staff against using school facilities for political activities. 25/ The Board of Zoning Appeals in Boston recently refused to allow Boston College a variance for an apartment complex it intended to buy for use as a dormitory. The Mayor of Boston was opposed, although the College was willing to make yearly payments to the City in lieu of taxes on the property. 26/

Restrictions on Religious Exemptions

Across the country exemptions for churches and religious property have provoked frequent controversy, and attempts have

been made to eliminate or limit them. Arguments for taxing church property are based more often on emotion and ideology than on fiscal grounds. Although the Supreme Court has ruled out blanket elimination of these exemptions on constitutional grounds, some states have taken efforts to limit them. In Oregon where parsonages are taxed, the House of Representatives in 1969 voted to tax churches at 25 percent of the property tax rate to pay for police and fire protection. However, a Senate committee killed the bill. In the same year Kansas repealed a law exempting parsonages. In Washington a bill was introduced in the legislature to tax church property, but it died in committee. Since 1965, Tennessee has limited exemptions to a single residence for each church congregation; some had been claiming as many as three. 27/

Payments in Lieu of Taxes

In response to fiscal difficulties facing local governments, many institutions have been making voluntary payments in lieu of taxes. Some doubtless have felt an obligation to contribute to the costs of the municipal services they receive, while others probably have responded to prodding from local officials. The basis for payments ranges from informal agreements to formal contracts. There is no one prevalent formula. Payments range from lump sums unrelated to anything in particular to specific charges for services provided.

The voluntary lump-sum contribution is probably the most common, and varies in amount according to the size, financial capability, or generosity of the institution. For example, in 1967-1968, the 20th Century Fund, an exempt organization in New York City, made a contribution of \$10,000. 28/ In 1966, the Board of Education of the United Presbyterian Church gave the City of Philadelphia \$10,000, approximately what it would have had to pay if its property had been taxable. 29/ In 1967 and again in 1968, Capitol University made a contribution of \$5,000 to Pexley, Ohio. 30/ In Minneapolis, the Oliver Presbyterian Church made a \$200 contribution to the City in lieu of taxes. The Pastor admitted that the church received many benefits from the City. 31/ The General Assembly of the United Presbyterian Church has passed a resolution urging all religious bodies not to claim exemption on income producing property, and to make contributions in lieu of taxes for municipal services on their exempt property. 32/

Other payments, particularly those made by private colleges and universities, are directly related to the costs and benefits of the municipal services provided to the institution. In 1965, Purdue University paid the City of West Lafayette, Indiana, a sum equal to 50 percent of the cost of street lighting adjacent to the campus. Miami University of Oxford, Ohio, makes payments to the

town for water, sewage treatment and refuse collection. The University also pays a pro rata share of the cost of capital improvements. Princeton University contributes \$15,000 per year to the borough of Princeton in partial payment for police and fire protection. The University has also participated in the cost of building and operating the sewage plant and the incinerator. 33/ The National Baptist Joint Committee on Public Affairs has urged its church members to pay for the costs of municipal fire, police, sanitation and other services. 34/

Many public educational institutions make payments to the municipalities in which they are located. In a 1961 agreement, the University of North Carolina agreed to pay Chapel Hill an annual fee at the rate of five dollars per enrolled student. In 1967 this came to \$61,000 in a budget of \$1.2 million. Pennsylvania State University has been assuming 50 percent of the cost of its municipality's major fire fighting equipment. In 1967, the University contributed \$16,615 toward the costs of a new pumper for the fire department. The University owns the sewage treatment plant and serves the municipality at a reduced cost. Iowa State University has an agreement with Ames to pay 25 percent of the operating expense of the fire department and 40 percent of the capital costs of the sewage treatment plant. 35/ Chapter L discusses payments in lieu of taxes by institutions in Massachusetts. . .

FOOTNOTES

1. U.S. General Services Administration, Inventory Report on Real Property Owned by the U.S. Throughout the World (Washington: U.S. Government Printing Office, 1969), passim.
2. U.S. Public Land Law Review Commission, One Third of the Nation's Land (Washington: U.S. Government Printing Office, 1970), passim.
3. Alfred Balk, Costs, Benefits and Other Factors in Local Property Tax Exemptions of Charitable, Educational, and Religious Organizations, a speech given before the Tax Institute of America Symposium (Princeton, New Jersey, 1969).
4. Ohio, Constitution, Art. XIII, sec. 2.
5. For example, a headline in a Philadelphia newspaper read, "Improper Exemptions Costing City Thousands." The article discussed an investigation being undertaken by the City Council's Finance Commission. Philadelphia Inquirer, July 20, 1970.
6. "Reporting and Valuation of Exempt Property," Assessors News Letter, XXVI (April, 1960), p. 49.
7. California Legislature, Assembly Interim Committee on Revenue and Taxation, Taxation of Property in California (December, 1964), p. 80.
8. The New York Times, Nov. 25, 1969.
9. Ohio Public Expenditure Council, Service Letter No. 71-13.
10. From information supplied by the Rhode Island Public Expenditure Council.
11. Wall Street Journal, Nov. 16, 1966.
12. International Association of Assessing Officers, Assessors News Letter (January, 1970), p. 3..
13. The New York Times, Nov. 25, 1969.
14. International Association of Assessing Officers, Assessors News Letter (August 1969), p. 148.
15. Ibid.
16. Ohio Public Expenditure Council, Service Letter No. 66-19.

FOOTNOTES continued

17. New Hampshire, Revised Statutes Annotated, (1969, Supplement), sec. 72-23.
18. South Dakota, Senate Bill No. 69, 1970.
19. Ohio Public Expenditure Council, Newsletter No. 67-19.
20. Balk, op. cit.
21. Ohio Public Expenditure Council, Service Letter No. 66-19.
22. International Association of Assessing Officers, Assessors News Letter (August, 1969), p. 148.
23. Pittsburgh Post Gazette, July 3, 1970.
24. Boston Herald, July 15, 1970.
25. Boston Herald, July 9 and 16, 1970.
26. Boston Globe, July 20, 1970.
27. All mentioned in, "Cities Push Tax Drive on Church Properties," Boston Sunday Herald Traveler, May 18, 1969. For explanation of Supreme Court interpretation see Chapter C, p.4.
28. America (January 13, 1968), p. 27.
29. Ohio Public Expenditure Council, Service Letter No. 68-20.
30. Ibid.
31. Ohio Public Expenditure Council, Publication 70-14.
32. The New York Times, September 11, 1967.
33. All listed in Rhode Island Public Expenditure Council, Local Tax Exemptions for Educational Institutions, Information Bulletin #23, January, 30, 1967.
34. International Association of Assessing Officers, Assessors News Letter (March, 1970), p. 47.
35. Ibid.

EXEMPT PROPERTY IN BOSTON

In Boston more than any other Massachusetts community the issue of property tax exemptions has assumed major political importance and has attracted widespread public attention. The fact that an alleged half of all Boston property values is exempt -- a fact which this chapter seriously questions -- has made it a favored topic of public officials and the media and has even drawn national attention. 1/ Much of the talk has centered on Boston's many colleges and schools and their responsibility for eroding the city's tax base 2/ -- another prevalent misunderstanding.

Emphasis in this chapter is on claims that have been made about the impact of exempt property on Boston's tax base and tax rate -- to see whether they may be based on distortions of data resulting either from improper classifications of property or from the use of different valuation standards for taxable and exempt property.

No consideration is given here to the gains or losses to the City that might result if presently exempt land were put to taxable uses, or to the costs of providing municipal services to exempt property owners and any offsetting benefits to the City. Both of these matters are treated elsewhere in the study.

Exempt Valuation Totals

In 1970, Boston reported total exempt real and personal property valuations of \$1.9 billion, and a total exempt land area of 12,795 acres (20 square miles).3/ Total exempt and taxable valuations, real and personal, for alternate years since 1950 are shown in Table H-1. What is most obvious from this table is the steady increase in exempt valuation and the lack of any substantial growth in the amount of taxable valuation. As a result, the percentage exempt of the total has increased from 28.2 percent in 1950 to 53.7 percent in 1970. If exempt real estate only is considered, the \$1.7 billion reported in 1970 was 54.2 percent of the city's total real estate valuation. As the table shows, the growth in exempt valuation has been constant though at a somewhat erratic rate. Increases have been substantially larger since 1964 than in preceding years. On the other hand, the taxable valuation in the City has been nearly static. From 1952 to 1962 taxable values actually declined; since 1962 they have climbed only slightly above the level of the early 1950's. It might appear that the increase in exempt property is the reason that taxable valuations have not increased. The discussion to follow suggests that this is not the case.

TABLE H-1

TOTAL EXEMPT AND TAXABLE
REAL AND PERSONAL PROPERTY VALUATIONS:
BOSTON, 1950 - 1970

(In Thousands)

	<u>Taxable Valuation</u>	<u>Exempt Valuation</u>	<u>Total Valuation a/</u>	<u>Percent Exempt Of Total</u>
1950	\$1,567,500	\$614,718	\$2,182,218	28.2%
1952	1,573,516	704,939	2,278,455	30.9
1954	1,566,676	791,826	2,358,502	33.6
1956	1,517,808	837,976	2,355,784	35.6
1958	1,475,608	873,828	2,349,436	37.2
1960	1,465,525	913,228	2,378,753	38.4
1962	1,456,311	958,789	2,415,101	39.7
1964	1,460,000	1,041,902	2,501,902	41.6
1966	1,507,496	1,181,699	2,689,194	43.9
1968	1,572,308	1,338,904	2,911,212	46.0
1970	1,617,000	1,873,266	3,490,266	53.7

a. Details may not add to totals due to rounding.

Source: Department of Corporations and Taxation.

Exempt Property Valuation by Category

Appendix Table A-2 contains the exempt valuation totals for each year according to category. These figures are summarized in Table H-2 showing, at ten year intervals, the percentage breakdown of the total exempt valuation by major categories.

TABLE H-2
DISTRIBUTION OF EXEMPT PROPERTY
VALUATIONS BY CATEGORY:
1950 - 1970

	<u>1950</u>	<u>1960</u>	<u>1970 c/</u>
Property of the United States	18.4%	12.8%	5.5%
Property of the Commonwealth	16.2	20.3	20.9
City property	39.9	25.8	34.2
Housing authorities	--	10.2	5.8
Total Public a/	74.5%	69.1%	66.4%
Literary and scientific institutions	9.9	13.4	16.9
Charitable and benevolent institutions and temperance societies	9.3	12.5	13.0
Houses of religious worship	5.6	4.2	3.3
Other private b/	.7	.8	.4
Total Private	25.5%	30.9%	33.6%
TOTAL	100.0%	100.0%	100.0%

a. Details may not add to totals due to rounding.
 b. For items under "other private" see Appendix Table A-2
 c. Preliminary and unadjusted figures.

Source: Compiled from figures obtained from the Department of Corporations and Taxation.

This table brings out the dominant position of the city and state property throughout the reported period, amounting to 34 and 21 percent of Boston's total exempt valuation respectively for 1970. The relatively high and growing percentage in the "literary-scientific" category is not surprising in light of the plant expansion of the many institutions of higher education in the City. Two significant decreases are evident: property of the United States has decreased sharply, and property of houses of religious worship, 5.6 percent of the total exempt valuation in 1950, has fallen to a comparatively low 3.3 percent in 1970.

Illustrating the dominance of the "public" categories, in 1970 the "City," "Massachusetts," and "United States" categories combined constituted 66.4 percent of the total exempt property valuation in

the City. This figure has decreased somewhat from its level during the 1950's. However, there is no indication that this trend will continue since the percentage has been hovering at about the 67 percent mark since 1965, and the rates of increase in the yearly valuations of the "City" and "Massachusetts" categories have remained consistently high.

A look at the constituent elements of the "City" and "Massachusetts" categories helps to explain the large increases in the valuation of these two categories. Table H-3 below further analyses the "Massachusetts" category of exempt property.

TABLE H-3
ANALYSIS OF "MASSACHUSETTS" CATEGORY
OF EXEMPT REAL PROPERTY VALUATION:
1965 - 1970
(In Thousands)

	1965	1968	1970
State owned property	\$169,520	\$233,193	\$160,615
Metropolitan Boston Transportation Authority (MBTA)	18,691	18,638	29,362
Mystic River Bridge Authority a/	385	385	400
Mass. Turnpike Authority	13,600	15,105	25,811
Mass. Port Authority	25	290	149,343
Mass. Parking Authority	146	146	251
Metropolitan District Commission (MDC)	13,553	13,802	26,161
TOTAL b/	\$215,920	\$281,559	\$391,943

a. The Mystic River Bridge is now under control of the Port Authority.
b. May vary slightly from Appendix Table A-2 due to rounding.

Source: Exempt property records of the Boston Assessing Department.

The valuations of property of the MBTA and the Turnpike Authority have shown marked increases from 1968 to 1970. The MDC also shows a sharp rise for the same period. From 1965 to 1968 there were pronounced increases in the first category -- property owned directly by the State. This was a result of the increase in property controlled by the Port Authority. During that period, the property of the Port Authority was placed in this category. Beginning in 1969, the Assessors' Office listed the Port Authority property under the "Port Authority" category. As a result, there was a decrease in the valuation of property owned directly by the State. However, the "Port Authority" category showed an even greater increase than can be attributed to a shift of the categories in which Port Authority property is placed.

Table H-4, an analysis of the "City" category of exempt property, shows where the increases have occurred in the valuations under this category.

TABLE H-4
ANALYSIS OF THE "CITY" CATEGORY
OF EXEMPT REAL PROPERTY VALUATION:
1960 - 1970
(In Millions)

	<u>1960</u>	<u>1970</u>
Police and fire	\$ 8.4	\$ 9.5
Schools and libraries	63.0	73.2
Health and hospitals	13.8	13.8
City Hall and annex	12.6	30.0
Parks and playgrounds	93.6	205.0
Housing authority ^{a/}	92.9	108.7
Boston Redevelopment Authority	2.1	45.8
Urban redevelopment	--	180.1
corporations (Chap. 121A)		
Public buildings	13.2	21.5
Other	<u>28.6</u>	<u>62.3</u>
TOTAL	\$328.2	\$749.9

a. This table follows the practice of the assessing department in listing housing authorities under the "City" category. However, after adjustments at the Department of Corporations and Taxation, property of the housing authority is listed as a separate category as in Appendix Table A-2.

Source: Annual reports of the Boston Assessing Department.

For example, in 1960 Boston City Hall was valued at \$12.6 million. In 1965 this increased to \$13.2 million and by 1970 after the completion of the new City Hall in the Government Center, the valuation had more than doubled, reaching \$30 million. The property of the Boston Redevelopment Authority has shown a sharp increase. In 1960 the property of the BRA was valued at slightly over \$2 million. By 1970 it was over \$45 million. Property of urban redevelopment corporations (Chapter 121A) shows the most dramatic increase. In 1960 there was no property in this category, by 1965 there was \$53 million, and by 1970 it had more than tripled, reaching \$180 million. This, of course, makes it the second largest component of the "City" category, second only to parks and playgrounds which also showed a large increase.

The large amount of Chapter 121A property seriously distorts the city's exempt property statistics. Unlike most other forms of exempt property considered in this report, this type is only technically

exempt since it does contribute money to the City based on a statutory state excise and on a percentage of gross income. However, the net result is substantially the same as the result of the current procedure for calculating the tax on comparable taxable property under the so-called "tax-concession agreements" made by the City prior to construction. ^{4/} Therefore, from an income point of view, Chapter 121A property is equivalent to taxable property. If the valuation of this property is added to taxable valuations and subtracted from exempt property valuations, then only 48.5% of the city's total valuation can properly be considered exempt as compared with the reported 53.7%.

The Valuation Problem

Unfortunately, it is difficult to estimate a ratio of Boston's reported exempt property valuation to its actual fair cash value. The responsibility for fixing valuations on the numerous exempt property parcels in the City rests with many different individuals assigned to various sections of the City, so there is probably little consistency in valuing this property. Indications are that many of the methods discussed elsewhere in this study are actually employed. Nevertheless, an examination of past records reveals that some exempt valuations have not been changed for many years. For example, the Boston YMCA on Huntington Avenue has had the same valuation from 1930 to 1969: \$205,700 on the land and \$914,300 on the buildings. A church building located on the corner of Massachusetts Avenue and Beacon Street was valued at \$80,000 in 1901 and is still valued at the same figure. However, the land on which it is located increased slightly in value from \$120,00 in 1901 to \$165,000 in 1969. There are countless other similar examples. The problems inherent in valuing such property are discussed elsewhere.

Despite the tendency of exempt valuation figures to remain unchanged over long periods of time, the valuation of some exempt property may actually be overstated, creating inflated exempt property valuation totals and an exaggerated percent of total valuation exempt. For example, the assessors records show that much of the taxable property in the City has been decreasing in value over time presumably due in part to depreciation of improvements. So, if valuations on some exempt property are remaining constant while taxable property valuations are decreasing, it suggests that the exempt property valuations are overstated in relation to the taxable property valuations. Also, much of the exempt property in the City consists of relatively new buildings. This includes such buildings as those in the Prudential Center, the Government Center, and the new buildings of colleges, universities and hospitals. Their valuations are likely to be fairly close to their actual cost. Since the findings of the State Tax Commission show that Boston considerably undervalues its taxable property, exempt property valuations where based on recent costs may be correspondingly overstated.

The valuations placed on the Boston Common and Public Garden illustrate the overvaluation of exempt property. The Boston Public Garden has been valued at \$12.6 million for over 40 years. In 1969, the valuation was raised to \$50 million. Similarly, Boston Common was valued at about \$45.6 million for over 30 years, until in 1969 when its valuation was increased to \$82.9 million. It seems difficult to account for these sharp increases, since the property continues to be restricted to use for parks and gardens, and is perpetually barred from income producing uses which might justify higher valuations. These values also appear to be vastly inflated when compared to the valuations of adjacent land. For example, the Public Garden and the Common are valued at \$47.35 and \$39.90 respectively per square foot. Taxable land along Tremont Street (Winter-Boylston) averages \$46 per square foot which is in line with the Common and Public Garden valuations. However, land on Boylston Street opposite the Common and Public Garden (Tremont-Arlington) averaged only \$32 per square foot. On Arlington Street opposite the Public Garden (Beacon-Boylston) the taxable land was valued at only \$18 per square foot and on Beacon Street opposite the Common and Public Garden (State House-Beaver), taxable land values averaged only \$6 per square foot. There seems to be no justification for the valuation of exempt property with restricted use at seven times the rate applied to taxable land across the street. The exempt land was clearly overvalued.

The extraordinary inflation of the Public Garden and Common values can also be seen when compared to other items or categories of exempt property. For example, the combined values for both parcels, \$132,907,000 for 3,128,682 square feet accounted for 22 percent of the entire exempt land value in the City, while occupying only 0.5 percent of the total exempt land area. The valuation for the two parcels accounted for \$30 million more than the valuation of all the land and buildings in the City owned by the Federal Government and exceeded the total valuation of land and buildings used as houses of religious worship in the City by \$80 million. The ultimate absurdity is illustrated by a comparison with taxable values: the valuation for the Common and Public Garden equals approximately 30 percent of the total valuation of all the taxable land in the City.

This type of overvaluation clearly exaggerates the exempt property valuation totals. Considered with the tendency of taxable valuations to decrease over time while exempt values remain constant, the 53% figure for the percentage exempt of total valuation is almost certainly too high.

Real Property Only

Since the figures discussed thus far have included both real and personal property, it is necessary to add a note of caution. As discussed elsewhere in this study, use of personal property valuation figures and real property valuations can tend to overstate the values of

the private categories of exempt property and understate the value of the public categories. In Boston, this effect is accentuated because Boston gathers no personal property exempt valuation figures. The ones inserted by the State Department of Corporations and Taxation are obtained from the "ABC" forms which are filed yearly by exempt institutions. Since these figures are obtainable for the private categories only, the private categories are correspondingly overstated in relation to the public categories. Comparison of the following table with Table H-2 which uses real and personal figures illustrates this point. According to Table H-2, 66 percent of the total exempt real and personal property valuation is publicly owned. However, considering real property only, as in Table H-5, 72.2 percent is publicly owned. The large difference between the two figures is explained by the considerable amounts of personal property reported on the "ABC" forms by many of the larger institutions such as colleges and hospitals. For example, Boston University listed \$4 million of tangible personal property values on its form for 1968. Boston's total exempt personal property valuation under the "literary-scientific" clause in 1970 was \$106,288,975. This is almost double the 1969 figure and accounts for the increase in the property of literary and scientific institutions from 15.6 percent to 16.9 percent of the total exempt real and personal property.

TABLE H-5
CATEGORIES OF EXEMPT REAL PROPERTY
AS A PERCENTAGE OF
TOTAL EXEMPT REAL PROPERTY: 1970

United States	6.0%
Literary-scientific	12.2
Massachusetts	22.7
Charitable, benevolent, temperance	11.3
Religious worship (including parsonages)	3.6
Housing authorities	6.3
City	37.2
Other private	.7
Total Public	72.2%
Total Private	27.8%

Source: Exempt Property records of the Boston Assessing Department

Taxable Property Valuation

It is also important to mention Boston's procedures regarding the valuation of taxable property. The State Tax Commission fixed the full value of taxable property in Boston at \$2.5 billion in 1970. The City claimed that the full value was the same as its assessed valuation, \$1.6 billion, and appealed the determination

of the State Tax Commission to the Appellate Tax Board 5/ which set a final but unsupported figure of \$2.0 billion. Significantly, the \$2.5 billion set by the State Tax Commission was substantially lowered from the \$3.1 billion calculated by the Bureau of Local Assessment which performed the actual statistical work.

There is abundant evidence that the City greatly underassesses its taxable property:

-The U. S. Census Bureau found an average ratio of assessments to selling prices of 31.7% and a median ratio of 30.1% for single-family homes in Boston sold in a 6-month period in 1966; 6/

-A study by the Boston Municipal Research Bureau in 1969 of sales of multi-family residential property (6-plus families) found that 55% of buildings sold between 1965 and 1969 were assessed at less than half of their selling prices; 7/

-Professor Oliver Oldman of the Harvard Law School, in a series of assessment ratio studies beginning in 1960, found the following average ratios of assessments to selling prices for various categories of property after eliminating all "Questionable" sales: 8/

Year	Commercial	<u>Residential Property</u>		All Property
	Property	Single	Apartments	
1960	91.8%	37.5%	62.7%	47.9%
1961	78.6	38.1	71.2	47.9
1962	79.0	36.1	61.6	46.6
1963	68.3	37.4	66.8	46.5
1964	67.7	36.6	58.7	44.1
1965	77.5	32.9	56.8	42.6
1966(June-Dec.)	66.3	33.6	54.6	42.5
1967	71.1	34.5	53.7	41.8
1968	56.0	35.1	57.8	39.3

-The state Bureau of Local Assessing in 1970, based on sales prices and other data in its possession, estimated the full value of Boston's taxable property as \$3.1 billion;

-The State Tax Commission estimated the full value of Boston property as \$2.5 billion -- reduced to \$2.0 billion by the Appellate Tax Board on appeal by the City;

-A recent study of the city's assessing practices made for the Boston Finance Commission once again

confirms the fact of underassessment. The report compared assessed valuations to levels of new construction in the City and found that the assessments failed to show ". . . even a semblance to actual valuation increases due to construction or other property improvements related to alterations . . ." The report illustrates how from 1944-1970, taxable valuation in the City had a net increase of only \$145,199,800. This, however, was less than the value of new taxable construction in the City in either 1967 or 1968. The report makes the fact of underassessment even more evident by suggesting that the 33% valuation ratio reported in the Oldman study may be too high. "The actual valuations appear to be as low as 20%!" 9/

Based on these data, it appears that the full and fair cash value of taxable property in the City may lie within the range of \$2.0 and \$4.0 billion. And to whatever figure may be settled on as reasonable should be added some or all of the \$180-plus million "exempt" value of Chapter 121A property which in fact is taxable but through a separate excise rather than the property tax.

This controversy over the value of taxable property in the City is relevant to the earlier references to Boston's static taxable valuation which in light of the above discussion, might be partly ascribed to Boston's valuation practices. If this is so, then the ratio of Boston's exempt property valuation to its total valuation is in need of re-examination, as is the relation of possible undervaluation to the rise in the city's tax rate. Significantly, however, the discussion does illustrate the fallacies involved in referring to 54% of the City's being tax exempt. A valid figure would likely be much lower. This is well illustrated by Table H-6 below which gives the percentages using more realistic estimates of the fair cash value of taxable property in the City.

TABLE H-6
PERCENT EXEMPT OF TOTAL VALUATION IN BOSTON
USING ALTERNATIVE TAXABLE VALUATIONS: 1970

<u>Basis of Taxable Valuation</u>	<u>Taxable Valuation (In Billions)</u>	<u>Exempt Valuation (In Billions)</u>	<u>% Exempt of Total Valuation</u>
1. Assessors	\$1.6	\$1.8	53.7%
2. Equalized (Set by Appellate Tax Board)	2.0	1.8	48.4
3. State Tax Comm. Original	2.5	1.8	42.8
4. Bureau of Local Assessment	3.1	1.8	37.2
5. Prof. Oliver Oldman <u>a/</u>	4.1	1.8	31.3

a. Valuation is determined using Oldman's 1969 assessment ratio of .393

Exempt Land Area

Table H-7 gives the total land area of each exempt category as a percentage of the total exempt land area in the City.

TABLE H-7

DISTRIBUTION OF EXEMPT PROPERTY
AREAS BY CATEGORY: 1960 - 1970

	<u>1960</u>	<u>1970</u>
Property of the United States	6.4%	4.0%
Property of the Commonwealth	36.4	42.3
City property a/	<u>34.5</u>	<u>33.3</u>
Total Public	77.3%	79.6%
Literary and scientific institutions	6.5	6.1
Charitable and benevolent institutions and temperance societies	4.1	3.9
Houses of religious worship b/	3.0	2.7
Cemeteries	7.5	6.1
Other private	<u>1.6</u>	<u>1.4</u>
Total Private	<u>22.7%</u>	<u>20.4%</u>
TOTAL c/	100.0%	100.0%

a. Includes housing authorities.
 b. Includes parsonages.
 c. Details may not add to totals due to rounding.

Source: Compiled from information contained in the Annual Reports of the Boston Assessing Department.

This table shows the dominance of the "City" and "Massachusetts" categories. In terms of valuation, it was shown earlier on Table H-2 that property of the City was the leading category. In terms of area, the "Massachusetts" category is the most significant, accounting for 42 percent of the total exempt land area due to the inclusion of Logan Airport. This will be discussed further, below. The dominance of the "public" categories of exempt property is even more marked with respect to area than to valuation. As Table H-2 showed, 66 percent of Boston's total exempt valuation was public property. However, in terms of area, the figure is nearly 80 percent. Even more significant, the public percentage of the total exempt area has been increasing in contrast to the public share of exempt valuations which has been decreasing slightly for several years. This increase in the public percentage of exempt area has occurred despite large increases in the valuation of private exempt institutions and a drop in the percentage of property owned by the Federal Government.

A short comparison of the exempt area figures for some of the dominant categories shows the large growth in land holdings by the public sector. From 1960 to 1970, exempt area occupied by private literary and scientific institutions increased from 747 acres to 783.4 acres -- an increase of only 36.4 acres. The exempt area under the "charitable, benevolent and temperance" clause increased from 471.9 acres to 504.4 acres -- an increase of only 32.5 acres. For the "Massachusetts" and "City" categories the increases were far greater. The exempt area in the "City" category increased from 3,963 acres to 4,264.2 acres, an increase of 301.2 acres. Property in the "Massachusetts" category increased from 4,117.5 acres to 5,417.2 acres -- an increase of 1,239.7 acres.

Table H-8 lists the items contributing to the large percentage of total exempt area under the "Massachusetts" category.

TABLE H-8

AREA OF THE COMPONENTS OF
THE "MASSACHUSETTS" CATEGORY
OF EXEMPT PROPERTY: 1970

	(In Acres)
State-owned property	2,078.3
MBTA	278.5
Mystic River Bridge Authority	5.8
Mass. Turnpike Authority	205.2
Mass. Port Authority	1,924.7
Mass. Parking Authority	.1
MDC	<u>924.3</u>
TOTAL	5,416.9 Acres

Source: Exempt property records of the Boston Assessing Department.

Property owned directly by the State occupies the most exempt area. This is followed by the Port Authority and its large exempt land area occupied by the airport.

The distribution of exempt area under the "City" category is shown in Table H-9. As would be expected, parks and playgrounds occupy the largest land areas. The continued growth of area owned by the City can be attributed in large part to the increases in property holdings of the Boston Redevelopment Authority and Chapter 121A corporations, which together now account for over 10 percent of city-owned land.

Aside from showing the dominance of the publicly owned exempt area, Table H-7 reveals that two significant exempt categories,

"literary-scientific" and "charitable, benevolent and temperance," occupy considerably less in terms of percentage of total exempt area than they do as a percentage of total exempt valuation.

TABLE H-9
AREA OF THE COMPONENTS OF
THE "CITY" CATEGORY OF EXEMPT
PROPERTY IN BOSTON: 1970

	(In Acres)
Schools and libraries	290.6
Police and fire	24.4
Health and hospitals	75.3
City Hall and annex	14.4
Parks and playgrounds	1,994.3
Boston Housing Authority	506.0
Boston Redevelopment Authority	323.3
Urban redevelopment corporations (121A)	119.8
Public buildings	21.9
Other	<u>889.8</u>
TOTAL	4,259.8

Source: Exempt Property records of the Boston Assessing Department.

The low intensity of land use by the City, in contrast with private exempt institutions, is shown by a comparison of Tables H-2 and H-7.

The high intensity of land use by private exempt institutions, in contrast to the City, is shown by a comparison of Tables H-2 and H-7. With 33.3 percent of the total exempt area in 1970, the City accounted for an almost equal 34.2 percent of exempt valuations. "Literary-scientific" and "charitable, benevolent and temperance" institutions accounted for 16.9 and 13.0 percent respectively of the total exempt valuation in the City, and their percentages have been increasing. However, in terms of area, they account for only 6.1 and 3.9 percent respectively. These percentages have not been increasing. Since the total area exempt under each of these categories has not been substantially increasing, this suggests that much of the "expansion" of these institutions can be attributed to intensive use of the land which these institutions already own rather than to area expansion.

Churches account for approximately the same percentage of the total exempt area as they do of the total exempt valuation, about three percent. Cemeteries account for less than one percent of the total exempt valuation, but for over six percent of the total exempt area.

TABLE H-10
PERCENT DISTRIBUTION OF EXEMPT PROPERTY
IN BOSTON BY WARD: 1960 - 1970

<u>Ward</u>	<u>Exempt Valuation</u>		<u>Exempt Area</u>	
	<u>1960</u>	<u>1970</u>	<u>1960</u>	<u>1970</u>
1 - East Boston	12.0%	11.9%	25.4%	24.5%
2 - Charlestown	5.4	2.7	2.6	3.5
3 - Boston Proper	14.2	15.2	1.9	2.5
4 - Back Bay, South	10.1	21.6	2.1	2.7
5 - Back Bay	11.9	12.0	2.6	2.6
6 - South Boston, North	8.3	4.2	5.4	5.1
7 - South Boston, South	1.8	1.3	2.4	2.9
8 - Roxbury, East & South	4.0	2.8	1.5	1.7
9 - Roxbury, Central	1.2	1.1	.7	1.3
10 - Roxbury, West	4.4	3.6	2.1	1.9
11 - Roxbury South; Egleston Sq. & Forest Hills	1.0	1.1	1.1	1.2
12 - Roxbury, East	3.0	1.9	5.0	4.9
13 - Dorchester & Savin Hill	3.0	2.0	3.5	4.2
14 - Dorchester, West	2.4	1.7	3.3	3.0
15 - Dorchester, North Central	.3	.3	.4	.4
16 - Dorchester, South	1.6	1.4	3.0	2.3
17 - Dorchester Center	.9	.7	1.6	1.4
18 - Hyde Park & Mattapan	2.3	2.0	10.4	9.5
19 - Jamaica Plain-Roslindale	2.3	2.9	6.8	6.5
20 - West Roxbury-Roslindale	1.5	2.1	10.3	9.4
21 - Brighton, South	4.7	4.8	3.5	3.4
22 - Brighton, North	<u>3.3</u>	<u>2.9</u>	<u>4.5</u>	<u>5.0</u>
TOTAL a/	100.0%	100.0%	100.0%	100.0%

a. Details may not add to totals due to rounding.

Source: Compiled from figures in Annual Reports of the Boston Assessing Department.

Exempt Property by Ward

The percentage distribution of the total exempt property valuation and exempt area in Boston for 1970 by ward is shown in Table H-10. In terms of valuation for 1970, Ward 4, the Back Bay had \$373 million in exempt real property or 21.6 percent of the total. This can be attributed to the many colleges, universities and hospitals in the area. The growth in exempt valuation in this ward is relatively recent as shown by the fact that the 1960 percentage was only half as high. Ward 3, Boston Proper, is also important in terms of exempt valuation, containing the Massachusetts State House, the Government Center and the Massachusetts General Hospital. The 11.9 percent for Ward 1 is mostly due to the airport in East Boston.

In both 1960 and 1970, one-quarter of the total exempt land area in the City of Boston was located in Ward 1, again attributable to the airport.

The table shows the notable lack of correspondence, ward by ward, between the percentages of total exempt area and total exempt valuation. Wards 3, 4, and 5, for example, are the largest in percent of total exempt valuation, but are among the smallest in percent of total exempt area.

Category Distribution by Ward

Table H-11 shows the distribution of exempt property valuation and area by ward for selected exemption categories in 1968. Property of the United States is seen to be concentrated most heavily in Ward 6, South Boston, amounting to 287 acres in area, and over \$41 million in valuation, attributable to the Army Base, the Navy Base and surrounding land. The exempt property book for 1969 lists 666 Summer Street, the address of the Boston Army Base, as having an area of 2,508,910 square feet and a valuation of \$19,416,700. ^{10/} Ward 3, Boston Proper, is next in terms of valuation in the category with over \$29 million. Much of this is made up of the Kennedy Federal Building and surrounding property in the Government Center which was valued at \$13,471,200. Other significant Federal property in this ward includes the Post Office and Courthouse building in Post Office Square, the Custom House in McKinley Square, and the Veterans Administration building on Court Street.

As discussed above, the leading area of the City in terms of state-owned exempt property is Ward 1 in East Boston on account of the airport. The "Massachusetts" category on this table does not include the MDC or the parking, turnpike or transportation authorities. It does, however, include property of the Port Authority since most Port Authority property was listed by the Assessors' Office as belonging to the Commonwealth until it was put in a separate category in 1969.

TABLE H-11

EXEMPT REAL PROPERTY VALUATION IN BOSTON, BY WARD AND CATEGORY: 1968
(In Thousands of Dollars and Acres of Area)

Ward	Property of the United States			Property of the Commonwealth ^{a/}			Literary and Scientific Institutions			Charitable Institutions			Urban Redevelopment Corporations (Chap. 121A)	
	Area	Valuation	Area	Valuation	Area	Valuation	Area	Valuation	Area	Valuation	Area	Valuation	Area	Valuation
1 East Boston	70.3	\$490.1	1,885.9	\$117,268.4	8.6	\$1,984.7	1.8	\$664.4	--	--	--	--	--	--
2 Charlestown	119.2	21,304.4	61.1	11,862.7	2.1	356.2	1.3	479.2	--	--	--	--	--	--
3 Boston Proper	22.5	29,601.1	41.4	31,728.2	15.2	12,368.3	1.1	1,693.2	--	--	--	--	--	--
4 Back Bay, So.	.4	450.0	34.4	5,084.4	130.2	53,833.0	29.9	16,794.4	35.6	86,024.3				
5 Back Bay	--	--	79.1	18,156.7	15.8	13,005.9	6.9	4,361.0	--	--	--	--	--	--
6 So. Boston, No.	286.9	41,746.1	144.8	8,230.2	6.0	1,055.7	.0	27.2	2.2	54.4				
7 So. Boston, So.	--	--	251.8	4,381.2	3.2	365.1	1.9	185.8	--	--	--	--	--	--
8 Roxbury, East & So.	--	--	58.3	1,425.7	6.9	3,000.1	3.4	229.7	20.2	103.3				
9 Roxbury, Cent.	--	--	--	--	2.8	326.2	.9	126.6	--	--	--	--	--	--
10 Roxbury, West	13.2	14,287.8	4.9	1,473.5	.2	64.6	37.6	893.2	10.0	8,410.4				
11 Roxbury So., Egleston Sq.-Forest Hills	--	--	.01	.4	4.3	613.7	3.0	374.0	4.4	1,600.0				
12 Roxbury, East	--	--	13.0	12,000.0	2.7	231.4	--	--	9.9	1,500.0				
13 Dorchester-Sav. Hill	--	--	38.8	301.2	79.5	5,525.8	2.6	1,016.6	--	--	--	--	--	--
14 Dorchester, West	--	--	212.8	8,912.1	.8	179.6	5.4	572.6	--	--	--	--	--	--
15 Dorchester, No.Cent.	--	--	--	--	1.6	239.2	1.6	24.9	--	--	--	--	--	--
16 Dorchester, So.	--	--	97.1	1,087.9	4.2	817.5	1.8	750.0	--	--	--	--	--	--
17 Dorchester Center	--	--	1.4	11.1	5.0	595.4	13.4	1,078.6	--	--	--	--	--	--
18 Hyde Park-Mattapan	4.2	600.0	36.3	293.2	5.3	896.8	45.2	331.1	--	--	--	--	--	--
19 Jam.Plain-Roslindale	4.4	24.0	14.8	289.2	89.8	3,104.1	17.9	1,311.0	--	--	--	--	--	--
20 W.Roxbury-Roslindale	30.0	1,910.0	245.8	2,794.1	90.6	2,254.4	10.7	4,464.0	--	--	--	--	--	--
21 Brighton, So.	13.1	1,800.0	135.2	6,697.3	109.8	35,792.4	15.2	972.0	--	--	--	--	--	--
22 Brighton, No.	--	--	42.2	1,195.6	213.6	21,741.1	11.9	435.2	4.7	67.0				
TOTALS ^{b/}	564.2	\$112,213.5	3,399.3	\$233,193.1	798.2	\$158,351.2	209.4	\$36,784.8	87.0	\$97,759.4				

a. Excludes MDC, Parking Authority, MBTA and some Port Authority property.

b. Totals may differ from those on other tables due to rounding and due to conversion of square feet figures into acres.

TABLE H-11. Continued

EXEMPT REAL PROPERTY VALUATION IN BOSTON, BY WARD AND CATEGORY: 1968
 (In Thousands of Dollars and Acres of Area)

Ward	Cemeteries		Housing Authority		Benevolent		Houses of Worship		Boston Redevelopment Authority	
	Area	Valuation	Area	Valuation	Area	Valuation	Area	Valuation	Area	Valuation
1 East Boston	2.3	\$15.3	23.2	\$5,385.9	10.6	\$1,264.3	5.7	\$825.4	--	-\$-
2 Charlestown	1.3	19.0	25.6	4,503.9	.6	432.0	2.3	395.6	89.8	\$4,543.9
3 Boston Proper	--	--	--	--	21.9	30,713.0	7.4	10,257.0	79.5	28,310.4
4 Back Bay, So.	--	--	11.3	5,395.0	16.2	27,058.9	7.0	6,943.2	4.5	904.4
5 Back Bay	--	--	--	--	5.9	4,352.4	7.0	5,351.3	6.3	2,565.0
6 So. Boston, No.	--	--	5.8	9,823.7	.5	68.2	4.7	822.9	--	--
7 So. Boston, So.	--	--	46.5	9,174.2	4.4	1,466.5	4.1	524.6	.2	32.0
8 Roxbury, East & So.	--	--	22.7	8,354.1	7.1	2,294.4	6.6	1,207.2	8.5	619.4
9 Roxbury, Cent.	--	--	12.9	3,361.4	3.1	169.4	9.8	1,043.5	28.2	1,708.6
10 Roxbury, West	--	--	47.7	10,366.5	8.2	687.7	8.9	1,184.5	.1	1.1
11 Roxbury So, Egleston Sq.-Forest Hills	3.4	31.4	6.9	1,452.2	21.4	3,702.8	14.0	1,045.8	16.6	574.5
12 Roxbury, East	--	--	1.7	515.6	7.8	1,014.6	9.5	2,245.5	45.3	1,122.5
13 Dorchester-Sav.Hill	--	--	169.6	15,225.0	1.2	64.1	14.2	1,434.9	--	--
14 Dorchester, West	22.1	166.8	37.0	10,277.6	.9	41.0	4.3	491.7	--	--
15 Dorchester, No.Cent.	--	--	--	--	1.8	188.8	4.5	541.3	44.4	1.8
16 Dorchester, So.	15.5	265.9	8.2	741.0	8.7	657.9	8.6	1,320.7	--	--
17 Dorchester Center	6.5	36.7	1.2	10.3	3.8	137.1	7.5	915.8	--	--
18 Hyde Park-Mattapan	120.2	386.4	58.0	6,821.8	5.4	1,145.5	20.1	2,057.5	--	--
19 Jam.Plain-Roslin.	40.7	2,698.2	9.6	2,450.0	31.2	6,754.4	25.5	1,418.3	--	--
20 W.Roxbury-Roslin.	340.9	1,776.0	.1	4.6	26.8	938.9	169.9	3,856.1	--	--
21 Brighton, So.	--	--	17.7	7,580.0	31.0	9,637.3	5.2	1,718.5	--	--
22 Brighton, No.	--	--	7.6	1,510.0	2.6	303.9	14.5	971.1	5.5	71.5
TOTALS	553.4	\$5,395.7	513.3	\$102,952.8	271.3	\$101,093.1	361.2	\$46,573.5	328.9	\$40,455.1

Source: Exempt property records of the Boston Assessing Department.

Cemetery property, which is so significant in terms of total area exempt, is concentrated primarily in Ward 20, West Roxbury and Roslindale. The exempt property book for 1968 lists 54 parcels of exempt cemetery property. Fifteen of these belong to the Hollyhood Cemetery Association and occupy 179.1 acres.

City property is not listed on the table because the exempt property book lists the ward distribution of city property according to type of property.

Again it is noteworthy that wards with the highest exempt valuations for certain categories of exempt property are frequently not the ones with the highest exempt areas under those categories. For example, Ward 4 has the highest valuation exempt under the "literary-scientific" clause but it ranks relatively low in terms of area exempt under the clause. This is also evident under the "benevolent" and "church" categories and, to a lesser extent, the "charitable" category.

Analysis of the Data

In light of the current publicity given to the exempt property issue in Boston, an analysis of the exempt area and valuation data supports these conclusions:

- Over the past 20 years, private institutions have been responsible for very little of the erosion of the city's tax base in terms of land area; increases in privately-owned exempt areas have been comparatively small;
- Most losses of land area to exempt uses have been to governmental uses;
- The considerable growth in exempt valuations of private institutions has been almost entirely in buildings and other improvements, most of them on previously exempt land;
- Buildings acquired by exempt institutions and removed from the tax rolls have not been a significant factor in the total growth of exempt valuations;
- Generally, the recent growth of exempt private institutions has been through intensified land use and not at the expense of potentially tax-producing land.

It has already been shown that while Boston's exempt valuation has increased each year, there has been little significant increase in the city's taxable valuation. Both of these contributed to the increase in the percentage exempt of total valuation. From the

previous discussion it should be apparent that the failure of taxable valuation to increase cannot be ascribed to erosion of the tax base by private institutions. More of the responsibility for taking physical area off the tax rolls must be attributed to the public sector and particularly the City itself. However, it is also questionable whether the physical expansion of the Port Authority, the BRA and Chapter 121A corporations actually removed much high value taxable property from the tax base or restricted the development of taxable property. The failure of Boston's taxable valuation to rise cannot be explained by the increase in exempt property area or in terms of increases in exempt property valuations.

The above discussion shows the weaknesses inherent in using percentage exempt of total as a measure of the burden of exempt property on the tax base. An increase in exempt valuation bears no necessary relationship to a decrease in the tax base or loss in taxable valuation.

Changes in the Tax Base

Comparison of exempt property valuation and area figures with taxable valuation figures for different sections of the City shows that there is often no discernible relationship between the two. In some cases increases in exempt area and valuation occurred without a decrease in the amount of taxable valuation. For example, from 1960 to 1970, Ward 5, the Back Bay, had fairly consistent increases in exempt valuation and area but also had several years of increases in taxable valuation. On the other hand, some of the largest losses in taxable valuations in the City occurred in areas where the amount of exempt property was not that significant. For example, Ward 9, Roxbury Central, and Ward 12, Roxbury East, show large losses in taxable valuation throughout the period. But for those years, exempt valuation and area increased negligibly, and in some years, decreased. Wards 21 and 22, with large amounts of exempt valuation and area, and consistent increases in amounts of exempt property, have also had large and consistent increases in taxable valuation throughout the period.

Some of the figures do indicate a clear relationship between exempt area and valuation and loss in taxable valuation. Ward 4 showed large decreases in taxable valuation and large increases in exempt area and valuation. This is probably related to some institutional expansion.

Similarly in Ward 3 there is a relationship between exempt area and valuation and a decrease in taxable valuation for many years. There was a large drop in taxable valuation in the area in the early sixties, with increases in exempt area throughout the period and large increases in exempt valuation toward the end of the sixties. This is in large measure due to land taking in the Scollay Square area in the early sixties and the construction of the Government

TABLE H-12

PERCENT EXEMPT OF TOTAL ASSESSED AREAS AND VALUATIONS IN BOSTON, BY WARD: 1969

Ward	Area a/ (In Acres)	Total Assessed		Percent Exempt b/		Total Assessed Valuation (In Thousands)	Total Exempt	Percent Exempt b/
		Total Exempt	Literary & Scientific	Total Exempt	Literary & Scientific			
1 East Boston	4,116	75.6%	.2%	\$210,519	77.8%	1.0%		
2 Charlestown	756	59.4	.3	75,187	62.1	.5		
3 Boston Proper	660	48.7	2.3	589,565	43.3	2.3		
4 Back Bay, So.	497	68.9	26.2	367,285	77.0	20.6		
5 Back Bay	606	54.9	2.6	382,265	52.1	3.4		
6 So. Boston, No.	1,330	47.0	.5	186,487	39.7	.6		
7 So. Boston, So.	784	47.2	.4	53,347	43.1	.7		
8 Roxbury, East & So.	526	42.7	1.2	77,973	63.6	9.0		
9 Roxbury, Cent.	303	51.8	1.8	34,734	55.8	3.2		
10 Roxbury, West	462	51.5	.1	72,365	74.3	.1		
11 Roxbury So., Egleston Sq. - Forest Hills	568	26.7	.8	40,050	40.6	1.6		
12 Roxbury, East	933	67.8	.2	53,938	57.9	.2		
13 Dorchester - Savin Hill	918	45.4	8.7	63,042	53.6	11.1		
14 Dorchester, West	955	39.4	.1	68,575	42.0	.3		
15 Dorchester, No. Cent.	396	13.5	.4	25,586	13.8	1.0		
16 Dorchester, So.	1,153	25.6	.4	63,681	31.7	1.4		
17 Dorchester Center	814	22.3	.6	45,851	23.2	1.4		
18 Hyde Park-Mattapan	3,761	31.1	.1	119,247	28.4	.8		
19 Jam. Plain-Roslindale	1,391	40.8	6.5	84,980	56.8	5.5		
20 W. Roxbury-Roslindale	3,365	35.2	2.7	116,065	30.8	2.9		
21 Brighton, So.	884	49.1	12.5	168,044	48.9	24.1		
22 Brighton, No.	1,572	40.7	13.6	111,822	44.5	25.7		
TOTAL	26,750	45.9%	3.0%	\$3,008,609	51.9%	6.7%		

a. Does not include streets, sidewalks or highways.

b. Percents may not compute to totals due to rounding.

Source: Annual Reports of the Boston Assessing Department.

Center in the late sixties. This loss in taxable valuation, as a result of the construction of the Government Center, must be considered in light of later benefits which the Center has brought to the City. Some of the benefit can be seen already in the \$14 million increase in taxable valuation in the ward in 1968 and the \$13 million increase in 1969.

Table H-12 helps illustrate the lack of a discernible relationship between exempt property valuation and area and level of taxable valuation. The table shows the percentage of the total assessed area and valuation exempt in each ward. For the City as a whole, 45.9 percent of the total assessed area and 51.9 percent of the total valuation was exempt.

Since the table indicates what percent of each ward is taxable, a comparison with Table H-10 can show whether there is a connection between large amounts of exempt property and low taxable valuations. The table shows that in some cases, there is a relationship; in some cases, there is not. Some of the wards with the largest amounts of exempt valuation as shown on Table H-10 have similar percentages of their total valuation exempt as some of the wards with smaller amounts of exempt property. For example, Ward 3, Boston Proper, had 15.2 percent of all Boston's total exempt property valuation in 1970 and 43.3 percent of all the property in the ward was exempt. Ward 7, South Boston, also had 43.1 percent of its valuation exempt but only 2.9 percent of the city's exempt property valuation. In terms of taxable valuation and exempt area, there appears to be even less of a relationship.

Ward 4 in the Back Bay and Ward 10 in Roxbury had 77 and 74 percent respectively of their total valuation exempt. However, Ward 4 had 21.6 percent of all the exempt property in the City while Ward 10 had only 3.6 percent. It is also interesting that Ward 4 with the highest exempt property valuation in the City, \$282 million, also had \$84.5 million in taxable valuation and ranked sixth in the City. This was despite the fact that Ward 4, next to the smallest in land area with only 154.6 acres, had 68.9 percent of its area and 77 percent of its valuation exempt. Ward 18, Hyde Park and Mattapan, had \$85.4 million in taxable valuation, close to that of Ward 4, but this was on 2,590.7 acres and with only 31.1 percent of its total area and 28.4 percent of its total valuation exempt.

It is not suggested that the relationship between exempt property and the tax base is not important. It has been pointed out above that in some cases it is. This analysis shows, however, that much of the increase in exempt property valuation occurs independently of increases in exempt area, and thus cannot be held responsible for decreasing the tax base. Further, many of the decreases in taxable valuation in certain areas of the City are not related to exempt property. There are other significant variables which must be considered. There is no discussion here of potential alternative use of exempt property, or of increases which might have been higher had it not been for the expansion of exempt property. These points will be discussed in greater detail in Part II of the study.

FOOTNOTES

1. Newsweek, (September 7, 1970), p. 72.
2. The exemption of property of educational institutions in Boston has been a recurrent issue. E.g., "Will Tax-Free Colleges Give Boston a Break?", Boston Globe (May 14, 1959); "Growing Tax Exemptions for Colleges Worry City," Boston Sunday Herald (November 18, 1962); "Universities Could be Forced to Offer Help," Boston Sunday Globe (April 13, 1962); "BRA Official Proposes No More Dorms in Back Bay," Sunday Herald Traveler (November 2, 1969); "White Would Tax Colleges," Boston Globe (November 20, 1970).
3. Excluding streets, highways, and sidewalks.
4. The prevalence of these agreements is discussed in: The Jacobs Co. Inc., The Assessing Function in Boston (Chicago, 1971), pp. 108-123 and passim.
5. The equalized valuation as determined by the State Tax Commission is significant since it is used together with other factors to determine the amount of state aid which each city and town receives for its public schools. Generally, a lower equalized valuation figure means a greater level of school aid.
6. U. S. Bureau of the Census, Census of Governments, 1967 Vol. 2, Taxable Property Values (Washington D. C.: U. S. Government Printing Office, 1968), pp. 133, 147.
7. Boston Municipal Research Bureau, "Some City Assessment Practices Need Explanation," Special Report (December, 1969).
8. Oliver Oldman and Henry Aaron, "Assessment-Sales Ratios under the Boston Property Tax," National Tax Journal (March, 1965), p. 36. Oldman's updated figures are also used.
9. The Jacobs Company, op. cit., p. 87.
10. In 1970, the Boston Army Base was taken over by the Navy. However, the Army still retains some facilities at the base.

CRITERIA FOR INSTITUTIONAL TAX EXEMPTION

Massachusetts has granted property tax exemption to a wide variety of private institutions and organizations. By statutory requirement all such organizations must file an annual return -- Form 3 ABC -- with the Department of Corporations and Taxation. The annual return includes information on the value of various categories of real and personal property owned by the organization.^{1/}

For 1968, the latest year for which the Department has compiled Form 3 ABC data, over 2,200 organizations filed annual returns.^{2/} A number of organizations, however, failed to meet the filing requirement as did some of the cities and towns in which they were located. The annual listing of organizations and compilation of data -- published up to 1949 in Public Document #16^{3/} -- are therefore somewhat less than complete.

State totals from the 1968 compilation show an aggregate exempted value of \$1,667.3 million for real estate occupied by the corporation itself and a total value of all property, real and personal, of \$4,847.9 million. The detailed breakdown of organization property follows:-

(in millions)

Real estate occupied by the corporation	\$1,667
Real estate not occupied by the corporation	65
Mortgages on real estate	34
Shares in national banks	59
Shares in corporations	1,144
Bonds and other public securities	1,188
Money at interest & savings bank deposits	249
Library and apparatus	240
Other personal property	198
Total real estate	1,733
Total personal property	3,114

Types of Exempt Organizations

An examination of the 1968 listing of exempt organizations reveals a wide range of institutional types. Prominent in the list are the colleges, universities and hospitals, and the major charitable agencies such as the Red Cross, American Cancer Society and United Fund. Other listings include:-

- Over 200 private schools, academies and training institutes, including nursing schools and kindergartens;
- Several youth organizations such as the Boy Scouts, Girl Scouts, Campfire Girls and 4-H Clubs;
- Numerous civic organizations, community centers, and town and village improvement societies;

- Some organizations concerned with animals and wildlife, such as the Audubon Society, the SPCA, and a few wildlife preserves and sanctuaries;
- Numerous historical societies, libraries, museums and antiquarian societies;
- Temperance unions, relief-of-the-poor societies and helping-hand societies;
- Social or fraternal lodge-type organizations, including several Elks, Knights of Columbus and Masonic organizations and Granges; and a few listings for the Kiwanis, Rotary, Knights of Pythias, Odd Fellows and Sons of Italy;
- Several camps, rod and gun clubs, women's and men's clubs;
- Ethnic associations such as the Syrian Lebanese American Association and the Chinese Merchants Association;
- Some agricultural and horticultural societies;
- About 300 veterans organizations -- the most prevalent type of exempt organization -- including some 150 posts of the American Legion and about 100 Veterans of Foreign Wars posts, and also a few dozen ethnic-oriented veteran groups including the Italian, French, Polish, Armenian and Jewish War Veterans.

The nature of some of the less familiar organizations listed for 1968 can be deduced from such titles as the Sons and Daughters of the First Settlers of Newbury and the Sailor's Snug Harbor of Boston. More obscure are the Skogsblommen Society and the New Room in the Horse Fair Society.

Chapter 180 Corporations

To receive an exemption under clause 3 of the exemption statute (General Laws, chapter 59, section 5) an organization must be either a charitable corporation or a charitable trust. Most are charitable corporations. Chapter 180 of the General Laws prescribes the requirements for incorporating a charitable organization in Massachusetts. Section 2 lists the purposes for which a chapter 180 corporation may be organized:-

Such corporation may be formed for any civic, educational, charitable, benevolent or religious purpose; for the prosecution of any antiquarian, historical, literary, scientific, medical, artistic, monumental or musical purpose; for establishing and maintaining libraries;

for supporting any missionary enterprise having for its object the dissemination of religious or educational instruction in foreign countries; for promoting temperance or morality in the commonwealth; for encouraging athletic exercises or yachting; for encouraging the raising of choice breeds of domestic animals and poultry; for the association and accomodation of societies of Free Masons, Odd Fellows, Knights of Pythias or other charitable or social bodies of a like character and purpose; for the establishment and maintenance of places for reading rooms, libraries or social meetings; for establishing boards of trade, chambers of commerce and bodies of like nature; for the purpose of providing non-profit credit counseling services, as defined in section two A.

To organize such a corporation, seven or more persons are needed, a majority of whom must be residents of the Commonwealth. The corporation is not permitted to have capital stock. The organizers must file a certificate of organization with the Secretary of State. Before issuing the certificate of incorporation, the Secretary of State may forward a statement to local officials where the organization is located. The local officials must investigate to determine whether the corporation is a shield for illegal business practices, or whether the location is unsuitable. They report back to the Secretary of State. If he thinks that the results of the formation of the corporation will be to shield illegal activities or activities beyond the purposes of the corporation, he will refuse to issue the certificate.

Section 6 of chapter 180, requires that before approving the articles of any charitable corporation whose purposes are such that its personal property will be exempt from taxation, the Secretary of State shall refer the petition to the Department of Public Welfare which shall make an investigation, conduct hearings, and forward its decision as to the suitability of the purposes of the organization and those running it to the Secretary of State. He then follows the decision of the Department of Welfare in deciding whether the certificate is to be granted. Once granted a certificate of incorporation, charitable organizations are required to file an annual financial report (Form 12) with the Bureau of Public Charities in the Attorney General's office (formerly filed with the Department of Public Welfare). The form requires information on the organizations receipts, expenditures, assets, and liabilities.⁴ Unfortunately, data formerly supplied by the Department of Public Welfare on charitable organizations are no longer published. Public Document #17, the Annual Report of the Department of Public Welfare, did contain a listing for each year of those organizations and institutions which sought charitable charters and were investigated by the Department. The publication also contained a yearly listing of

all charitable organizations which had filed the required financial form, and the value of each category of property for each organization, and for the State as a whole. The Bureau of Public Charities in the Attorney General's office which now receives these forms does not compile the information contained on them.

There are also special requirements for chartering educational institutions. General Laws, chapter 69, section 30 required that the Secretary of State, before approving any certification of organization in connection with the proposed incorporation of a college, junior college, university, or other educational institution with the power to grant degrees, shall refer such petition to the Board of Higher Education. The Board shall order an investigation, and conduct hearings on the petition. The Board reports back to the Secretary of State who then makes a decision consistent with the Board's findings.

Section 9 of chapter 180 imposes a \$5 million valuation limit on the property of a chapter 180 corporation devoted to the purposes set forth in its charter. This section has not been especially restrictive because it does provide that the amount can be increased by special act, as has frequently been the case.

Definition of Charitable

As the exemption process now operates in Massachusetts, it is the difficult task of the local assessors to determine which organizations and institutions are entitled to exemption for their property. Clause 3 of section 5 of the exemption statute provides that charitable corporations and charitable trusts are eligible for exemption. It is up to the assessors to determine which organizations are charitable and are using their property for charitable purposes. This has proved to be no easy task.

Part of the difficulty is that the term "charitable" is not adequately defined in the statutes. Section 5 of chapter 59, defines a charitable organization as a literary, benevolent, or charitable organization. Here the term charitable is partly used to define itself so it is of little help. The courts have ruled that for a literary, scientific, or benevolent organization to get an exemption, it must be charitable, so the problem is still not solved. Section 8F of chapter 168 defines charitable organizations in relation to fund raising, but that definition is not very helpful since it defines a charitable organization, in part, as one that receives an exemption.

"Charitable organization", any benevolent, educational, philanthropic, humane, patriotic or eleemosynary individual, trustee, organization, trust, foundation, group, association, partnership, corporation, society or any combination of them, or one holding itself out to be a charitable organization or one which has

received a tax exemption from the United States Government or any state or municipality by reason of its charitable nature.

Unfortunately, all the purposes for which an organization may be incorporated under chapter 180 are not necessarily purposes for which an organization is entitled to exemption under chapter 59. The chartering of an organization under chapter 180 is not sufficient to qualify the organization as a charitable corporation. This was specifically affirmed by the Supreme Court early in our legal history.^{5/} It can also be shown by reference to some cases where corporations formed under chapter 180 were not considered charitable organizations for exemption purposes. Chapter 180 lists medical purposes as one for which an organization may be incorporated. However, the Massachusetts Medical Society was denied an exemption because it was operated primarily for the benefit of its own members, while the benefit to the public was only incidental.^{6/} Chapter 180 also lists chambers of commerce, yet according to the Court the personal property of the Boston Chamber of Commerce was not exempt under chapter 59.^{7/} Chapter 180 mentions social bodies yet the Elks were denied an exemption because they were primarily a social rather than a charitable organization.^{8/} A directive issued by the Department of Corporations and Taxation to local assessors also affirms the need for more than just incorporation under chapter 180 to qualify for exemption:

Your particular attention is called to the fact that the mere incorporation under chapter 180 does not give tax immunity. The corporation must in fact actually be a charity within the sweep of clause 3 of section 5 of chapter 59 of the General Laws.^{9/}

A brief survey of the names of the chapter 180 corporations listed in the Secretary of State's office reveals many which may not be charitable. This includes many social clubs, country clubs, yacht clubs, varsity and alumnae clubs, chambers of commerce, merchant associations and business associations and includes such organizations as the New England Ford Dealers Association. Also, the fact that section 2 of chapter 180 lists "charitable" as one of the purposes for which a corporation may be organized suggests that some of the other purposes may not be charitable.

Public Charity Requirement

The definition of the term "charitable" is crucial, since under clause 3 of the exemption statute, only the property of a charitable organization or institution is exempt from taxation. Even more important, the Court in construing this clause has held consistently that the legal rule is that the determination of whether property is exempt from taxation depends upon whether it meets the test of a public charity.

The terms "literary", "scientific", and "benevolent" in clause 3 are not meant to be distinguished from "charitable." Rather, these types of organizations also have to be charitable in nature to be given an exemption. As the Court said in the Garland case:

While the words 'literary' and 'scientific' show that the exemption given by the statute is not restricted to institutions having the narrow charitable purpose of relief of the poor or sick, they are to be interpreted like the word 'benevolent', in light of their use in connection with the word 'charitable' and do not extend the exemption to literary or scientific institutions which ¹⁰⁷ are not in the nature of public charities.

These organizations will only be exempted if they are public charities. The Court concluded:

Findings that the taxpayer 'is a literary and educational institution' and within the class of literary, benevolent, charitable and scientific institutions were warranted if the requirement is met that the institution be a public charity.¹¹

The Court has left little doubt that only organizations which are public charities come within the terms of clause 3. This is a rule that extends far back in the state's legal history, and is a constant theme throughout the exemption cases.

The Court has held that in determining whether an organization is charitable, it will rely on the language of its charter, the objects which it serves, and its method of administration. However, it has gone further and has said that the purposes for which an organization was incorporated and the nature of its bylaws are not the only factors to consider in determining whether an organization is charitable and entitled to exemption. The organization must" . . . prove that it is in fact so conducted that in, actual operation it is a public charity". ¹² Clearly, the burden of proof is always on the organization to prove that it actually is a public charity. It is not only the nature of the organization which determined whether it is entitled to an exemption; it is also the uses to which the property is put. For an exemption on personal property only, an organization need only show that it is a charitable corporation, but to obtain an exemption on real estate the organization must further prove that the real estate is being used for the charitable purposes of the organization.

The "Indefiniteness" Principle

Although the word "charitable" is not adequately defined in the General Laws, there have been judicial interpretations of the word in Massachusetts and other states. If one principle can be abstracted from the various definitions, it is that a charitable organization is supposed to benefit the public at large, or an indefinite number of people. For example, Corpus Juris Secundum defines a charitable organization as follows:

An institution is one of purely public charity within an exemption statute, where it makes no gain or profit, accomplishes ends wholly benevolent, and benefits persons indefinite in numbers and personal-ties by preventing them through absolute gratuity ^{13/} from becoming burdens to society or the State.

The Massachusetts courts, and the courts of other states have consistently relied on the definition of charitable in the early Massachusetts case of Jackson v. Philips. That case traced the history of the term charitable back to the English common law. It admits that a precise and complete definition of a legal charity is hardly to be found in the books. But it goes on to say that:

A charity, in the legal sense, may be more fully defined as a gift, to be applied consistently with existing laws, for the benefit of an indefinite number of persons, either by bringing their minds or hearts under the influence of education or religion, by relieving their bodies from disease, suffering or constraint, assisting them to establish themselves in life, or erecting or maintaining public buildings or works or otherwise lessening the burdens of government. ^{14/}

Massachusetts courts have maintained this principle. In Little v. Newburyport, the Supreme Court said that, "The element of indefiniteness in the recipients of a bounty is of course essential to the character of a public charity." ^{15/}

The Court has held that an organization alleging that it is a public charity has the burden of proof that it is being operated for the benefit of the public or a portion of the public, or of some indefinite class of persons. ^{16/} It is the dominant use of the property which is controlling, not its incidental use.

Application of the Law

From an examination of some of the real estate exemptions which are being granted, it is apparent that some organizations have requested and received exemptions whose validity under the law is uncertain. A check of the charters of some of these exempted organizations indicates the social and non-charitable nature and activities

of some of them. ^{17/} Some sample charter provisions are shown in the Appendix. Examination of these and other similar charters indicates that many are really social or fraternal organizations, and their exemption as charitable corporations would be difficult to justify. Some, in fact, admit their social and fraternal nature in their charters. Some include the right to apply for a license to serve food and sell alcoholic beverages on their property, strongly suggesting that they are benefiting their own members rather than an indefinite number of people as required by the public charity principle. ^{18/}

To estimate the extent of this type of abuse, and to determine what tax loss is involved, would require an extensive investigation beyond the scope of this study. The fact that several organizations do not send in their "ABC" forms as required by law, and that several cities and towns do not do the same, makes it more difficult to check individual organizations.

No implication is intended here that organizations which may lack legal justification for their tax exemption because of their social or fraternal nature are profit-making organizations or that their members are personally profiting. Massachusetts laws are strict in this regard and pose no serious problem.

Special Act Exemptions

Special attention must be given to two specific organizations which are receiving exemptions in many cities and towns -- the Elks and the Knights of Columbus. In an early case, the Elks were denied an exemption as a charitable organization by the Supreme Court. The building in question had a library, kitchen, lounging rooms, billiard room, and sleeping rooms. It had a liquor license and operated a dining room. The Court held that though the purposes stated in its charter were charitable, the organization was social and maintained for the enjoyment of its members. The property in question was being used for social and festive functions.

The dominant use to which (the) real estate is put is that of a private club rather than a headquarters ^{18/} for the dispensation of charitable relief.

The same result was reached in a Knights of Columbus case in Brockton. In that case, the Court held that the use of the property did not carry out the declared purposes of the organization.

The facts agreed support the conclusion. . . that the dominant use and occupation of the property in question. . . was not for the declared charitable purposes for which it was incorporated, but was ^{20/} for fraternal and social purposes.

In 1960, a special act was passed granting a real estate exemption to the Knights of Columbus, 21/ and in 1966 a special act was passed granting exemption to the Elks, the Grange, and Sons of Italy. 22/ These special acts were passed presumably because these organizations did not qualify for exemptions under clause 3. However, the validity of these special acts came into question in light of a later Supreme Court decision. In an advisory opinion, the Court held unconstitutional a proposed law exempting the Moose and Eagles. Its decision was based on the fact that the naming of particular organizations for exemption was unconstitutional because it singled them out for special treatment.23/ Shortly after this decision, a directive was sent from the Department of Corporations and Taxation to the board of assessors in each city and town. The directive said that in light of the Court decision the special acts exempting the Knights, Elks, Grange and Sons of Italy were also unconstitutional, and therefore these organizations should no longer be exempt.24/ However, a survey of the 1969 "121" forms indicates that in many cases, these organizations are still being granted exemptions. The "121" forms of a few cities and towns show that these four organizations did receive exemptions in 1968, but not in 1969. Most, however, received them for both years.

The departmental directive did imply that these organizations were still eligible for exemption under clause 3, if they qualified. However, the earlier cases indicate that they probably would not qualify. Also, if they did qualify under clause 3, there would have been no reason to pass a special act granting them an exemption in the beginning. Examination of the charters of some Elks and Knights of Columbus also indicates the primarily social or fraternal nature of the organizations.25/ In the two cases above, the Court cited the charitable purposes of the organizations as shown in their charters though denying the exemption because the property was not used for exempt purposes. However, examination of their charters shows that these particular chapters may not even be charitable in nature according to their charters. It is interesting that in one town, the Knights were given a real estate exemption, but the assessors listed it in the "fraternal" category. However, under the law, only the personal property of a fraternal society is exempt. In some cities and towns, the Elks and Knights are given an exemption on personal property only, and are included in the "fraternal society" category.

The Masons pose a more difficult question since they are similar in some ways to the organizations mentioned above. An early departmental directive stipulated that the Masons are basically a charitable organization.26/ The directive quotes a Court decision in an inheritance tax case where a footnote reads:

This is in accord with the great weight of authority holding that Masonic organizations are charitable societies or institutions under our taxing laws.27/

Despite the affirmation of the charitable nature of the Masonic organizations, it is still necessary for the property of the organizations to be used for charitable purposes to be exempt. The directive does say that Masonic halls should be taxed on any portion used for commercial purposes. But if Masonic halls are being used primarily for social or fraternal purposes, they should be taxed also. In many cases, the similarity in activities between the Masons and the two organizations discussed above, makes it difficult to justify any distinction for the purposes of exemption from taxation.

In a recent development, the Appellate Tax Board has reversed a decision of the Assessors of Winthrop who denied an exemption to the Winthrop Knights of Columbus. However, in upholding the right of the organization to exemption, the Board issued no written decision. The Town has appealed to the Supreme Court. The Court's decision ^{28/} should be helpful in clearing up some of the confusion in this area.

Bureau of Public Charities

The problem of determining what is a charitable organization is further compounded by the fact that all public charities are required by law to file Form 12 with the Bureau of Public Charities in the Attorney General's office. As the Court said in the Boston Pilots case ²⁹ and in the other examples given, only public charities are exempt. If only public charities are exempt and if all public charities must file with the Attorney General's office, then it would seem that those organizations that are entitled to an exemption must also file with the Attorney General's office. However, the organizations whose charters were listed above did not file reports with the Attorney General. This is not absolute proof that the organizations are not entitled to exemptions. It does, however, suggest that by failure to file, the organizations are in fact admitting that they are not charitable organizations. This filing requirement applies only to public charities, not to all chapter 180 corporations. An amendment to clause 3 was made in 1970 requiring that no organization shall receive an exemption under clause 3 in any year in which it fails to bring to the assessors a certificate of oath that it has filed its report with the Attorney General. This amendment supports the implication that if an organization is exempted under clause 3, it is a public charity, and should be filing with the Attorney General.

It is questionable whether this new provision will have any more effect than the earlier requirement that no exemption shall be given to an organization which fails to bring in its "ABC" form. Under clause 3, an organization is not entitled to receive an exemption unless it has filed its "ABC" form with the assessors as required by section 29. The Department of Corporations and Taxation checks the organizations listed as owning exempt property on each city or town's Form 121 against the "ABC" forms which the assessors

also send in. Letters are then sent out from the Department requesting the city or town to obtain the form from the organizations which did not send them in. In many cases they are never received, and often it is the same organizations from year to year. Some cities and towns do withdraw the exemption in such cases, but many do not. The fact that many organizations do not file indicates that the assessors could deny them an exemption. Part of the difficulty in utilizing section 29 is that prior to the 1970 amendment the failure to file the form had to be willful, and this was difficult to prove. However, the 1970 amendment eliminated the "willful" requirement by providing that no exemption shall be granted if there is failure to file the form.

Department of Public Welfare

The requirements for incorporating a charitable organization are also significant. When an organization applies to the Secretary of State for incorporation under chapter 180, if the Secretary of State's office considers the organization to be a charitable one so that its personal property would be exempt from taxation, it sends the application to the Department of Public Welfare which must undertake an investigation of the organization. There is an indication on the back of the charters of those organizations which were investigated by the Department. Neither the organizations whose charter provisions are shown in the Appendix nor the charters of numerous Knights and Elks organizations indicate any investigation by the Department of Public Welfare. Presumably the Secretary of State's office did not consider these to be charitable organizations. This confirms a report that the Knights of Columbus and the Elks and similar organizations are not investigated by the Department of Public Welfare since they are not predominantly charitable organizations.

Restatement of the "Indefiniteness" Principle

Obviously many of the organizations described above do perform some charitable and other worthwhile services. But this is not the criterion in determining qualification for exemption. If the dominant purpose of the organization and the dominant use of the property is to benefit its own members rather than an indefinite number of persons, the eligibility for exemption is questionable. If they are using their property for social rather than charitable purposes, they should be taxed under present law. The overriding principle which emerges from an examination of the statutes and the Court decisions is that where individuals join together for social or fraternal purposes, the property is not being put to charitable use. It is being used for the benefit and enjoyment of its members and not to benefit an indefinite number of persons, and should therefore be taxed. The Board of Tax Appeals has explicitly said that where a club is maintained primarily for the benefit of its own members, and its dominant activities are social, recreational and athletic, the club is not charitable under the exemption law, and it is not entitled to exemption.³⁰⁷ The basic principle was summarized

by the Board of Tax Appeals (now the Appellate Tax Board) when it said:

In general, the terms 'literary, benevolent, charitable and scientific institutions' covers those institutions whose purposes and activities are charitable in the broad sense, 'which embraces the improvement and promotion of the happiness of man'. . . But in order to come within the exemption, the dominant purposes of activities of an institution must be for the public good and a society or club maintained primarily for the benefit of its members is not one whose property is exempted by the statute, because such an object lacks the quality of indefiniteness essential to a public charity. ^{31/}

The criterion in this area is the dominant use of the property. If the dominant use of the property is not charitable, there should be no exemption, even though there is incidental benefit to the public from the activities of the organization. As the Court said in a Massachusetts Medical Society case:

An institution will be classified as charitable if the dominant purpose of its work is for the public good. . . . But if the dominant purpose of its work is to benefit its members or a limited class of persons it will not be so classified even though the public will derive incidental benefits from such work. ^{32/}

Some organizations take the position that though their property is not always used for charitable purposes, they should be exempt because revenue obtained from other uses goes for the charitable purposes of the organization. This argument is not really in conformity with the exemption statute. This is explicitly dealt with in the Hairenik case. In that case the court said:

It is settled that the occupation of real estate by an institution which is entitled to an exemption is occupation directly for the charitable purposes for which it is incorporated and not occupation for profit, even if such profit is used for such charitable purposes. ^{33/}

Clause 5 of the exemption statute grants an exemption to the personal property of a fraternal organization. The inclusion of this clause makes it quite clear that the law recognizes a distinction between charitable and fraternal organizations, and that only the personal property of a fraternal society should be exempt.

The charter statement of the purposes of an organization is not conclusive as to the uses to which the property is being put. However, it is obvious from our analysis that many exemptions which are granted may have questionable legal justification. The mention in the charter

of the right to serve food and dispense alcoholic beverages makes the case more conclusive. Responses to the Foundation questionnaire show that some local assessors considered the exemption of social and fraternal organizations, and organizations dispensing alcoholic beverages, as abuses of the exemption process. At the very least, this is evidence of widespread confusion and misunderstanding.

In some states a copy of the articles of incorporation must accompany an organization's application for exemption. A similar requirement in Massachusetts could materially assist local assessors in determining eligibility for exemption.

Separateness of Local Chapters

Each local chapter or unit of a regional or national organization is a separate corporation and its request for tax exemption must be judged on its own merits as to the charitable nature of the organization and the charitable uses of its property. Generalizations as to the eligibility for exemption of organizations having several chapters are valid only to the extent that the nature and activities of the various chapters are similar. Directives which have been issued by the Department of Corporations and Taxation often fail to emphasize this fact.

The Problem in Other States

The problem of distinguishing social and fraternal organizations from charitable organizations for exemption purposes exists in other states as well. Different states vary from strict to liberal interpretations of these distinctions. For example, in an early case, the Court of Appeals of New York State denied an exemption on a Masonic temple because the lodge was a fraternal organization and was not organized for charitable and benevolent purposes under the State's exemption statute. ^{34/} In another early case, however, the Colorado Supreme Court allowed an exemption on a Masonic building although it was used for such social purposes as dances and dinners and was being rented to other organizations. The Court said that in instances such as this it is preferred to adopt a liberal stance, and since the revenues obtained from the various non-charitable purposes of the property were used to further the charitable purposes of the organization, the property was exempt under a statute exempting property used strictly for charitable purposes. ^{35/}

Local Role in Exemption Decisions

The confusion surrounding the interpretation of Massachusetts exemption laws and policies is an inevitable result of the local assessors' role. Procedures for granting or reviewing exemptions for charitable or "eleemosynary" organizations vary considerably among the states. In California, for example, institutional exemptions are granted at the state level. Colorado has provisions for reviewing exemptions at the state level. This appears to insure greater consistency in the granting of exemptions.

Massachusetts stands at the other extreme. With the decisions of local assessors the sole determinant in the granting of exemptions, it is logical to expect the erratic results described above.

Assessors and the Exemption Process

Exemptions granted by assessors to organizations which are not eligible, or whose eligibility is questionable, are rarely challenged. The Department has no authority to mandate exemptions or to deny them. Under section 1 of chapter 58, the Commissioner is required to give his opinion to the assessors on questions relating to assessments. He may inspect the work of the assessors, and provide instructions, guidelines and information. However, he does not have direct authority over them. As the Supreme Court has said:

The respondent assessors are not subordinates of the respondent commissioner in the sense that they are members, either as subordinate officers or employees, of the Department of Corporations and Taxation, which is under the control and supervision of the Commissioner. Art. 66 of the Amendments to the Constitution of the Commonwealth G.L. (Ter. Ed.) C. 14. The assessors are not his agents. They are public officers selected by the municipalities of the Commonwealth charged by statute with the performance of certain specified duties, and not state officers in the ordinary sense of the term. ³⁶

In this case the Court emphasized the advisory role of the Commissioner. The assessors are the main element in the exemption process, and their judgment is seldom challenged. If an organization is not granted an exemption, and thinks it is legally entitled to one, it may appeal to the Appellate Tax Board. But exemptions which are granted are rarely questioned because there is no practical way of challenging them. A taxpayer's suit can presumably be brought but this is a cumbersome process. A taxpayers' suit is a possible remedy in specific cases, but is hardly a satisfactory answer to a widespread problem.

Since the exemption process is based on the local assessor, assessors are open to heavy pressures from local organizations to grant them exemptions. Whether such pressures have contributed to the granting of some exemptions of questionable validity can only be conjectured. But there can be little doubt that local pressure is felt. Some assessors in informal conversation have attested to it. The conclusions reached in a New Jersey study of tax exemptions are relevant to Massachusetts:

It would appear therefore that some of the present problems and lack of uniformity which exist in exemption of property throughout the State is due to the practice of having a local assessor make a determination which is both legal and factual in nature. One local assessor candidly stated at one of the Commission's hearings that he would resign before putting the Knights of Columbus in his town on the tax roll. Another assessor, up for election in her town . . . refused to reconsider any local exemptions ³⁷ because of fear it would harm her chance to win.

The New Jersey study commission recommended that responsibility for initial approval of exemption applications be located at the state level in order to insure greater consistency. ³⁸

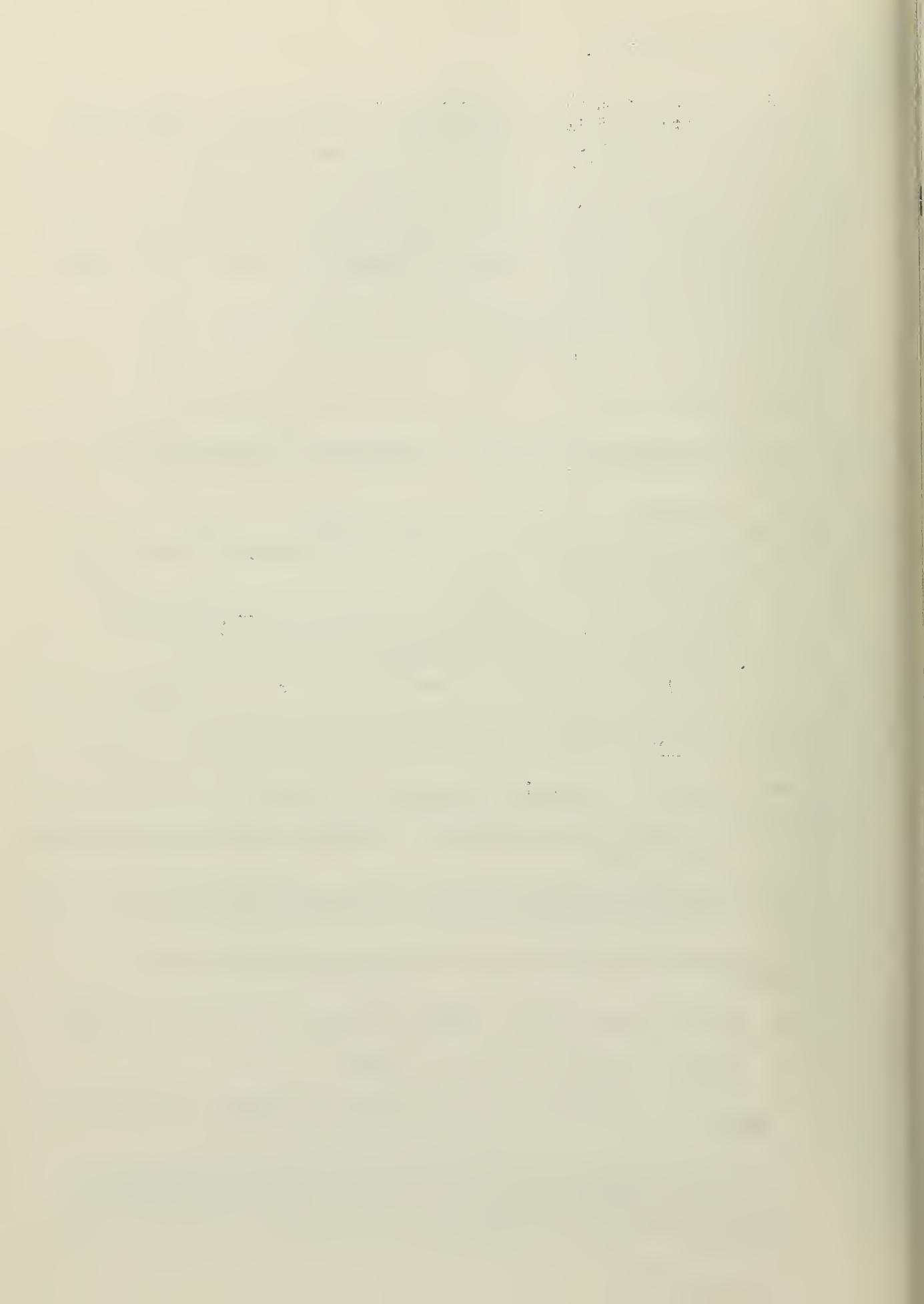
Role of Department of Corporations and Taxation

Massachusetts assessors should not be criticized for the position they have been placed in. In many instances the legal distinctions they must make are very fine ones. They are asked to make difficult judgments which are both legal and factual in nature. Their problem has been compounded by a lack of attentiveness on the part of the Department. The Department seldom checks on the exemptions which are granted, and the advice and guidelines issued to the assessors relative to exemptions have been sporadic. The Department receives the "ABC" forms and "121" forms from the cities and towns, and processes them each year but with an approximately two year lag in reporting. However, it is given no mandate and consequently does not attempt to check systematically on the validity of the exemptions which are granted. Although lacking the legal responsibility for investigation, the Department could still play a more active advisory role in bringing consistency to the exemption process under present law.

FOOTNOTES

1. Specifically, the form must be filed by all corporations and trusts exempt under clause 3 of the exemption statute, by all veterans organizations exempt under clause 5, military organizations exempt under clause 6, and cemetery corporations exempt under clause 13.
2. The numbers of organizations of various types shown on the following page are only approximate, representing a classification by title only. Even a careful research of each of the 2,200- plus organizations would not yield a wholly precise and reliable count.
3. Annual Report of the Department of Corporations and Taxation.
4. Corporations established for religious purposes need not file the form. There will be a more specific discussion of which organization and institutions must file the form, below.
5. Moran v. Plymouth Rubber Company Municipal Benevolent Association, 307 Mass. 444 (1940).
6. Massachusetts Medical Society v. Assessors of Boston, 340 Mass. 327 (1960).
7. Boston Chamber of Commerce v. Assessors of Boston, 315 Mass. 712 (1944).
8. Boston Lodge, Order of Elks v. City of Boston, 217 Mass. 176, (1914).
9. Letter from Henry Long, Commissioner of Corporations and Taxation, March 5, 1947.
10. Board of Assessors of Boston v. Garland School of Homemaking, 296 Mass. 378 (1937).
11. Ibid. This principle is repeated in Assessors of Dover v. Dominican Fathers of St. Joseph, 334 Mass. 530 (1956).
12. Jacob's Pillow Dance Festival, Inc. v. Assessors of Becket, 320 Mass. 311 (1946).
13. 84 C.J.S. Taxation (1954).
14. 96 Mass. 539 (1867).
15. 210 Mass. 414 (1912).
16. Jacob's Pillow Dance Festival, Inc. v. Assessors of Becket, 320 Mass. 311 (1946).
17. Available at the Secretary of State's Office.

18. For obvious reasons, the names and locations of the organizations whose charters are listed are not given. This section is meant to be illustrative of types of exemptions which are being granted rather than to expose unjustified exemptions to specific organizations.
19. Boston Lodge, Order of Elks v. City of Boston, 217 Mass. 176 (1914).
20. Knights of Columbus Building Association v. Assessors of Brockton, 321 Mass. 110 (1947).
21. Acts of 1960, chapter 95.
22. Acts of 1966, chapter 404.
23. House No. 4270.
24. Letter from Cleo F. Jaiillet, Commissioner of Corporations and Taxation, May 17, 1968.
25. See Appendix for copies of sample charters.
26. Memorandum from John Dane Jr., Associate Commissioner of Corporations and Taxation, June 13, 1958.
27. McGregor et al. v. Commissioner of Corporations and Taxation, 327 Mass. 484 (1951). Footnote located at 327 Mass. 488.
28. Unpublished decision of the Appellate Tax Board, September 28, 1970.
29. Assessors of Boston v. Boston Pilot's Relief Society, 311 Mass. 232. (1942).
30. Winsor Club v. Board of Assessors of Watertown, 1 B.T.A. 513 (1932).
31. West Newbury Women's Club, Inc. v. Board of Assessors of West Newbury, 1 B.T.A. 663 (1933).
32. Massachusetts Medical Society v. Assessors of Boston, 340 Mass. 328 (1960). (Emphasis added).
33. Hairenik Association, Inc. v. Assessors of Boston, 313 Mass. 274 (1943).
34. In Re Plattsburg Lodge, 135 Misc. 275, 238 N.Y. Supp. 327 (1925).
35. Horton v. Colorado, 64 Col. 529 (1918).
36. Hobart v. Commissioner of Corporations and Taxation, 311 Mass. 341 (1942).
37. Report of Commission to study the Laws of New Jersey Exempting Real Property Held by Religious, Educational, Charitable, and Philanthropic Organizations and Cemeteries from Taxation, January 30, 1970, pp. 20,21.
38. Ibid., p. 44.



EXEMPT PROPERTY AND LOCAL TAX RATES

With rising property taxes there has been a growing tendency to regard tax exempt real estate as a cause of high tax rates. Increasingly the public has been led to associate high taxes with a large and growing extent of exempt land and institutions -- particularly in Boston.

If in fact there were a significant causal relationship we should expect to find a generally higher level of property taxes in cities and towns with high percentages of exempt property. Such a relationship could result from the possibly detrimental effect of exempt property on other property values, its occupation of land which might otherwise yield tax revenue, or the uncompensated burden it may impose on municipal services.

The purpose of this chapter is to discover whether such a relationship exists between high tax rates and exempt property. The nature of the relationship is dealt with only briefly here.

Exempt Valuations and Tax Rates

The simplest approach to the problem is to compare various cities and towns in the State in terms of tax rates adjusted to full values and the percentage exempt of total valuation. Appendix Table A-3, columns 2 and 8, lists this data for those cities and towns which reported a total exempt valuation on the questionnaires sent to all local assessors and analyzed earlier in this study. The table shows no apparent relationship between the amount of property exempt and the level of a community's full value tax rate.

For example, in 1969, Cambridge had a relatively high 44 percent of its total real valuation exempt and a full value tax rate of \$58.00. ^{1/} Somerville had a lesser percent exempt, but its full value tax rate was substantially higher, \$64.30. In 1970, Springfield and Pittsfield each had 25 percent of its total valuation exempt, yet Springfield's full value tax rate was \$63.70 while Pittsfield's was only \$49.40.

Among the towns, Northfield in 1970 had 52 percent of its total valuation exempt, yet its full value tax rate was a comparatively low \$27.40. The town of Leverett had only 6.5 percent of its valuation exempt, and a high full value tax rate of \$49.40. Numerous other examples can be found in the table.

The lack of any consistent relationship between percentages exempt of total valuation and full value tax rates can also be seen in Table J-1, a frequency distribution comparing percentages of exempt real estate valuations and full value tax rates for 108 towns in 1970, and 37 towns in 1969. For each level of exempt percentage there is a wide variation in the range of full value tax rates.

TABLE J-1

DISTRIBUTION OF FULL VALUE TAX RATES IN REPORTING TOWNS BY PERCENT OF PROPERTY VALUATIONS EXEMPT: 1969 and 1970

1969

Percent of Property Value Exempt	Full Value Tax Rate					
	Under \$20	\$20- 29	\$30- 39	\$40- 49	\$50- 59	\$60 and over
Under 10%	2	1	3	2	2	0
10 - 19	2	2	4	6	2	0
20 - 29	0	1	2	3	1	0
30 - 39	0	0	0	1	0	0
40 - 49	0	1	0	0	0	0
50 and over	0	0	0	2	0	0

1970

Under 10%	4	4	11	4	1	0
10 - 19	0	1	18	20	6	1
20 - 29	1	2	8	9	1	0
30 - 39	0	0	3	5	0	0
40 - 49	0	0	2	2	1	0
50 and over	0	1	3	0	0	0

For both 1969 and 1970 the tax rates appear to be distributed normally and concentrated between \$30 and \$50, independent of the exempt percentage levels. The number of cities reporting is too small for an adequate frequency table for either year. Summarizing this data, a large percentage exempt of total valuation is not per se a liability in terms of the tax rate.

Elsewhere in this study, it has been shown that the percentage exempt of total valuation will be distorted if ratios of valuation to fair cash value differ for exempt and taxable property. This qualification applies as well to the present comparisons. For example, where the assessment ratio for exempt property is lower than the taxable ratio, adjustment of both to their full value equivalents will result in a higher percentage of property exempt. Making such an adjustment for the Town of Lancaster increases the exempt percentage from the 22.7 percent shown on Appendix Table A-3 to 44.6 percent. Similarly, for Cambridge the percentage of property exempt would increase from 44.4 percent to 71.2 percent. Conversely, where the assessment ratio applied to exempt property is higher than the taxable ratio, adjustment to full value produces a smaller percentage of exempt property. Examples of this situation are Plymouth and Worcester where on a full value basis only 23.8 percent and 34.3 percent respectively of the total valuation would be exempt rather than the 44.1 percent and 37.5 percent reported in Appendix Table A-3.

Most of the cities and towns listed in Appendix Table A-3 have assessment ratios for exempt and taxable property sufficiently similar to avoid any serious distortion of the percentages exempt of total valuation. For this reason and because these assessment ratios are only estimates, the exempt and taxable property valuations have not been converted to their full value equivalents here. When adjustments to full value are made for those cities and towns with markedly different ratios for taxable and exempt property, there emerges no significant challenge to the conclusion that high tax rates and large amounts of exempt property are not causally related. The examples above actually strengthen the case against the existence of any relationship. Cambridge and Lancaster have relatively low full value tax rates despite the high percentage exempt of total valuation; Plymouth and Worcester with small percentages of exempt property have relatively high tax rates.

Exempt Areas and Tax Rates

The same procedure can be used for exempt areas as for exempt valuations. Column 4 in Appendix Table A-2 gives the percentage exempt of total area for the cities and towns which responded to Question 1 on the questionnaire. Again, predictably, little relationship appears between the exempt percentage of total area and the full value tax rate. For example, in 1970, West Springfield had over half of its area exempt, but a relatively low full value tax rate, \$32.10. 2/ The Town of Chatham in 1969 had over half of its area exempt and its full value tax rate was a very low \$17.20.

TABLE J-2

DISTRIBUTION OF FULL VALUE TAX RATES IN REPORTING
TOWNS BY PERCENT OF PROPERTY AREAS EXEMPT: 1969 and 1970

1969

Percent of Property Area Exempt	Full Value Tax Rate					
	Under \$20	\$20- 29	\$30- 39	\$40- 49	\$50- 59	\$60 and over
Under 10%	2	4	4	3	2	0
10 - 19	0	1	1	7	2	0
20 - 29	0	0	1	3	0	0
30 - 39	0	0	1	2	1	0
40 - 49	1	0	0	0	0	0
50 and over	1	0	1	0	0	0

1970

Under 10%	3	6	26	19	7	0
10 - 19	1	2	7	15	0	1
20 - 29	0	0	7	2	1	0
30 - 39	0	0	3	1	0	0
40 - 49	1	0	1	0	0	0
50 and over	0	0	1	0	0	0

Table J-2 contains, for towns replying to the questionnaire, a frequency distribution for full value tax rates arranged according to level of percentage exempt of total area. The clustering of most of the full value tax rates between \$30 and \$50 appears unrelated to the extent of exempt area. For example, of the towns with less than 10 percent of their area exempt in 1970, nine had relatively low tax rates (under \$30) while in a nearly equal number - seven towns - rates were more than \$50. In the three towns with more than 40 percent of their property exempt, rates were all below average and one was less than \$20.

As a final illustration, Cambridge has a slightly higher percentage of exempt area than Boston, and fairly close to the same percentage of exempt valuation. In fact, Cambridge's percentage of exempt valuation, with its varying assessment ratios, is probably higher than Boston's. Nevertheless, Boston's full value tax rate is more than twice that of Cambridge. Clearly, it is other factors which determine the tax rates of these two cities. The fact that many cities and towns have high tax rates with relatively low levels of exempt property affirms the view that the explanation of high tax rates must be sought elsewhere.

The Tax Levy

One of the most obvious factors explaining the lack of a relationship between full value tax rates and amounts of exempt property is the tax levy, the amount of money which each city and town is required to raise by the property tax. The tax rate determination is based on two variables: the tax levy and the tax base. If two municipalities have the same valuation, the one with the highest tax levy will have the highest tax rate. Different cities and towns are likely to have different levels of spending for different services, and this will be reflected in the tax rate. The size of the tax levy will depend on such factors as state imposed charges and assessments, population density, geographic characteristics, and willingness to spend for certain services. Many of these are independent of exempt property considerations.

The Tax Base

The size of the tax base, the value of taxable property, and its relationship to the amount of exempt property in a city or town has been at the heart of most discussions of the exempt property issue. The implication has been that exempt property limits the amount of property which is included in the tax base. That this is not the case with exempt property valuation has been demonstrated and is apparent in almost every city and town which has extensive underdeveloped areas. An analysis of exempt property statistics for the City of Boston has shown that there is no necessary relationship between the magnitude of exempt property valuation and

or town, it must be determined what the alternative taxable uses of the property might be. If the alternative to exempt institutional use of a specific location would be a high-cost taxable use -- for example, low-income housing in a blighted area -- it is likely that the costs of servicing the taxable use would be greater than its yield in taxes. So, from a net cost point of view, it could be financially advantageous for the city or town to have this property devoted to a low-cost exempt use rather than to a high-cost taxable use. If this argument is valid, it can certainly help explain why large percentages of exempt area or valuation do not have to result in high tax rates, and to the contrary may contribute to lower rates.

This argument suggests that the extent to which exempt property is an asset or liability depends on the unique characteristics of each location or institution. The effect of exempt property on tax rates is unanswerable in general terms. Current discussions have made the general and unsupported assumptions that exempt property is always a liability and taxable property is always beneficial to the city. A more critical approach requires that a policy of taxing institutions must be examined on a long range basis to see what the effects will be and whether in the long run it will be an asset or liability on a net cost-benefit basis.

FOOTNOTES

1. The "in lieu of tax" payments by Harvard, Radcliffe, and MIT do not account for the relatively low level of Cambridge's full value tax rate, since these payments account for approximately \$.75 on the full value tax rate. See Appendix III pp. 1 and 2.
2. The "in lieu of tax" payments to West Springfield have been too small to have a significant effect on its tax rate.

RECENT EXEMPTION LEGISLATION

At each annual session, the Massachusetts Legislature faces a large number of bills proposing changes in the state's exemption laws. A large proportion of these bills relate to personal exemptions; as a rule, they propose by one means or another to liberalize existing exemptions. A smaller number of bills each year concern institutional tax exemptions; almost invariably these bills propose to restrict existing exemption privileges or offset them by means of service charges.

The variety of legislative proposals and the whimsical or impulsive nature of many of them reflect the current lack of understanding of the exemption issue.

Generally, the more important bills relating to institutional tax exemptions are of three types:

1. Elimination of Exemptions

This group of bills would eliminate or severely restrict the exemption privilege for presently exempt property. Some of them are directed to specific municipalities, ignoring constitutional difficulties. For example, a 1970 bill (H. 2046) proposed "that all tax free property in the City of Boston be taxed at full value with the exception of churches and synagogues." Others are directed at specific types of institutions. Private colleges and universities have been a popular target, especially with Boston legislators. For example, bills filed in 1970 (H. 806, 1052 and 4770) and 1971 (H. 2331) would remove the exemption for dormitories of educational institutions.

In a backdoor approach to educational exemptions, 1970 legislation (H. 3786) would have exempted institutional property only to the extent that the student population was composed of local residents. In many cases, this would have resulted in almost complete taxation of the educational plant.

Another frequent object of exemption legislation has been the Massachusetts Port Authority. Repeated attempts have been made either to eliminate entirely the Authority's exemption or to charge it for municipal services supplied by the City. House 4144 of 1970 would have permitted the taxation of all real and personal property of all public authorities. House 2931 of 1971 would have eliminated the exemption on MPA land used or occupied for other than public purposes. House 2912 of 1971 proposed to require the Authority to reimburse the City for costs of fire protection for Authority property -- a frequent point of difference between the Authority and the City.

2. Local Consent

A second category covers bills, filed annually, seeking to adopt a "home-rule" approach to institutional exemptions. For example,

1971 legislation (H. 2338 and 3508) would require local consent for all exemptions given to real estate acquired in the future by a charitable organization. Local consent would be indicated by vote of a city council or town meeting. Apart from the constitutional objections to this bill, it presents several other difficulties. It could result in serious inequities among municipalities across the state. It would tend to penalize the new or growing as against the established institution. The granting of exemptions would become a political determination, opening the way to discrimination against particular institutions.

3. Service Charges

A third type of legislation advocates service charges or other payments in lieu of taxes by exempt institutions. The service-charge bills seek to have the Legislature authorize municipalities to impose charges for services rendered, on the uncertain assumption that legislative consent is necessary. Many of these bills are vague, failing to resolve the crucial question of how charges are to be measured or apportioned. House 1439 of 1971, for example, provided that the Boston Assessing Department shall impose a service charge in lieu of taxes on each tax exempt institution for police, fire and sanitary and other services; no basis of apportionment is mentioned.

Other legislative proposals, however, have seriously attempted to resolve the problem of finding a cost basis for service charges. A 1971 bill (H. 1745), for example, would have allowed cities and towns to charge exempt institutions (including public authorities) for fire protection services. Amounts to be paid would be calculated by multiplying the number of calls made to the institution, excluding false alarms, by the average cost per call for the entire city or town.

A more frequently proposed method for determining charges is contained in 1970 (H. 1047) and 1971 (H. 2334) legislation. These bills would require each city and town annually to assess private exempt institutions for police and fire costs. For each institution the costs would be determined as that proportion of the municipality's total appropriations for these services which the institutions assessed valuation bears to the total assessed valuation -- taxable and exempt -- of the city or town. Whatever the validity of this method for public services primarily concerned with property, as in the case of fire protection, its usefulness for person-related services is at best marginal.

Generally, the service charge approach, properly conceived, may offer a viable and rational approach to the problem of institutional tax exemptions, at least to the extent that problems of cost determination and institutional service areas can be resolved.

A radically different approach is suggested by the Master Tax Plan Commission. In a preliminary report, the Commission recommends

that private institutions be exempt from a proposed state property tax, which would account for the greater part of the total tax on property, but could be subjected to a local property tax based on the value of their land only. Further analysis by the Commission might have disclosed a closer correlation of municipal service costs with building values than with land values.



SUMMARY OF QUESTIONNAIRE RESULTS

As part of the study, a questionnaire (Appendix III) was sent to all local boards of assessors, seeking information not available through ordinary reporting channels.

Replies were received from 161 cities and towns, with the fullest response from communities with above average concentrations of tax exempt institutions. Responding cities and towns account for slightly under two-thirds of the state's population and more than three-quarters of all exempt property values.

Responses may be considered broadly representative of the State as a whole. They point to a wide variety of attitudes of assessors toward exempt property. Answers to questions 4, 5 and 6, as previously reported, revealed a variety of procedures in the valuation of exempt property. Responses to the remaining questions were of particular interest in showing the attitudes of the assessors toward present exemption laws and practices, and some specific problems associated with exempt property in the cities and towns.

"Abuses" and "Comments"

Many of the responses to the open-ended questions (9 and 10) were general in nature. These included statements that there was too much exempt property or that exempt property ". . . has reached staggering proportions." Others indicated that exempt institutions should pay for the costs of services or ". . . make contributions for services rendered." Some suggested that all or most exempt property should be taxed. Several observed that exempt property puts a heavier burden on the taxpayer. One assessor replied: "The Legislature takes bows for their generosity while the burden on the remaining property owners grows greater -- let's spread the burden a bit more equitably."

Other responses were more specific and informative. One frequent complaint was the exemption of property of education institutions used for housing for faculty members. Several assessors argued that such property is being used for private rather than educational purposes, and should be taxed. One city went farther and objected to "exemptions on real estate owned by exempt institutions furnished rent free to officials, interns, teachers in lieu of salary." Even more annoying to some assessors was "the right of residents to live on tax exempt property and send their children to public schools." One town objected to: "The construction of single family homes on exempt property. The right of residents to live on tax exempt property and send their children to public schools. Also to attend town meetings and vote on financial matters affecting the tax rate when they pay no taxes." Another had a more general complaint about an academy located in the town: "There should be a limit on how much property these private schools can collect. At the rate they're going, the whole center of town will be exempt. They live here, use all of the services (including our schools) yet they don't have to contribute one cent. They also have voting power at town meetings and vote for all the extravagances they're not paying for and many taxpayers cannot afford. We certainly hope a change will come about."

Some of the abuses dealt with specific types of organizations. One mentioned as an abuse the exemption of "fraternal and social organizations not organized for charity." Another said "fraternal organizations should not be included." Another objected to "charitable clubs with liquor licenses." This confirms some of the objections made in an earlier chapter. However, it leaves unanswered the question why those making the complaints grant exemptions to these organizations.

A few cities and towns had complaints about the veterans' organizations. One complained about "veterans' organizations with liquor licenses." Another said that the "Veterans of Foreign Wars clubhouse is (the) most profitable commercial business in town. Club liquor license in a dry town. They have a monopoly."

One unexpected criticism repeated several times was the exemption from the automobile excise for charitable organizations. In fact, one town complained of an organization's receiving an exemption on 12 to 15 new cars each year valued at about \$2,500 each. Another objected to exempting cars registered to employees of a college "when we know these cars are used for personal use."

Another frequent criticism concerned reimbursements by the State for the loss of taxes on certain state-owned land. The recurring objection was that the valuation placed by the State on the land for reimbursement purposes was out of date and far below the actual value of the land. The problem posed by state-owned land was summed up by one town:

"The town of _____ has about 1,385 acres owned by the Commonwealth. Most of this land is not used by the Commonwealth for anything constructive. Some of the land is frontage along route ____ that if we could assess and realize the tax revenue from would decrease our tax rate. The amount that the State gives back to the town for tax loss is nowhere near the amount we could receive if this was privately owned."

A few towns indicated that all property should be taxed except that of churches and religious organizations. On the other hand, one town indicated that 'now that the clergy has entered into politics and government influence, they should all be taxed.'

A wide variety of other alleged abuses were recorded. These included: more than one parsonage per church, 581 acres of exempt land owned by the Audubon Society, exemption of fairgrounds, residential property on hospital property, and exemption of certain types of revenue-producing property.

A few towns found the exempt property situation satisfactory and not really a problem. A few others said that they were aware of no abuses. Many questionnaires contained no responses to these questions. In fact, these

were the most frequently omitted questions, perhaps because they involved opinions on which assessors were reluctant to be quoted. This attitude was shown by one respondent who said that this (Question 9) was "too personal a question for the Board to answer."

Only one town expressed confusion about the exemption laws relating to the exemption of charitable institutions. The same town also indicated that there was much opposition from institutions in the town when exemptions were not granted.

Some of the more specific comments point to opportunities for improvements or tightening of the exemption laws. These are dealt with elsewhere in the report.

"Checking" on Exempt Property

Practically most cities and towns indicated that they checked yearly on the uses to which exempt property is put. Some indicated that they checked "frequently"; "constantly" or "continually." Four respondents, however, said that they "never" check. One said "seldom," two said "rarely" and one said "not for years." Some reported that they checked when something was brought to their attention, or when there was any doubt as to the use. A few indicated that the towns were so small that any periodic checking would be unnecessary ("any change in the use of exempt property is not apt to escape notice"). One medium-sized city stated that it was "impossible" to make such a check.

Payments in Lieu of Taxes

Appendix III gives an illustrative listing of gifts or payments made in lieu of taxes by private exempt institutions to the cities and towns in which they have property. Institutions making such payments are of diverse types. Most often the payments are identified as gifts or donations. Conspicuously absent from the list are payments by the larger urban colleges and universities located in Boston, Worcester and Springfield.

In most cases, there is no apparent relationship between the size of the payment and the extent or value of property owned by the institution, or any particular part of that property. As a rule, the amounts involved are insignificant in fiscal terms for the receiving cities and towns and represent only small fractions of what the taxes would be if the institution's property were fully taxable. For example, the payment made by Radcliffe College to the City of Cambridge of \$8,985, substantial as it may be for the institution, represents less than \$1.00 per \$1,000 of the total exempt valuation of the institution's property. Suffolk University's \$15,000 donation to Boston represents \$3.75 per \$1,000 of exempt property value. In almost all cases the payments are in only token amounts.

Partial Exemptions

Appendix III lists the partial exemptions which were mentioned in the questionnaire replies. As the list indicates, partial exemption of property is not done extensively. Masonic buildings are the most frequently mentioned example of partial exemptions. One town explained that it had the approval of the Department of Corporations and Taxation for granting a partial exemption.

APPENDIX I

EXEMPT PROPERTY VALUATION TABLES

TABLE A-1

TOTAL VALUATION OF EXEMPT REAL AND PERSONAL
PROPERTY IN MASSACHUSETTS BY CATEGORY

Year	Property of the United States	Property of the Common- wealth	Literary and Scientific Institutions	Charitable and Benevolent In- stitutions and Temperance So- cieties (a)	Agricultural Societies	Parsonages	Houses of Religious Worship	Cemeteries and Property Held For Care of Cemeteries
1930	\$133,591	\$113,618	\$210,573	\$110,056	\$3,263	--	\$147,903	\$7,652
1940	157,431	150,371	267,344	131,696	2,888	\$6,601	150,700	8,539
1950	270,432	203,456	310,929	157,055	2,661	8,127	167,351	10,135
1952	292,428	245,537	349,445	184,256	2,644	8,499	177,742	11,126
1954	263,534	295,521	384,722	225,488	2,769	11,534	189,611	12,267
1956	274,692	347,766	424,533	263,035	2,800	13,896	197,015	14,975
1958	263,435	392,566	489,667	299,330	3,111	14,755	220,881	15,899
1960	289,835	434,573	574,671	328,863	3,424	15,645	241,001	17,027
1962	289,261	458,988	643,264	358,053	3,607	16,615	264,227	17,425
1964	311,44	527,502	783,666	409,895	3,891	19,301	298,789	16,740
1966	328,973	629,923	949,734	489,300	5,264	23,820	342,118	17,484
1968	320,270	814,389	1,116,486	585,363	5,581	28,939	374,872	19,615

a. Temperance society property is insignificant, accounting for only \$72,000 in 1968.

TABLE A-1 CONTINUED

TOTAL VALUATION OF EXEMPT REAL AND PERSONAL
PROPERTY IN MASSACHUSETTS BY CATEGORY

1930 - 1968

(In Thousands)

Year	Property of City or Town	Property of A County	Housing Authorities	Organizations of War Veterans	Property of Militia Or- ganizations	Property of Fraternal Societies	Property of Districts	Other (b)	Grand Total		
1930	\$610,826		\$27,185	--	\$882		\$626	\$118	\$2,487	\$2,487	\$1,038,833
1940	737,377		37,870	--	1,018		450	84	4,207	4,207	1,368,781
1950	930,590		25,867	\$28,925	3,085		57	96	10,856	10,856	2,129,617
1952	967,196		26,818	134,865	3,566		18	93	10,185	10,185	2,414,491
1954	1,059,916		28,479	182,153	3,952		13	90	11,306	11,306	2,671,442
1956	1,186,942		30,329	193,333	4,391		13	95	14,722	14,722	2,960,560
1958	1,306,757		33,465	202,063	4,964		13	73	26,083	26,083	3,273,087
1960	1,434,192		33,508	235,588	6,271		12	75	37,910	37,910	3,652,664
1962	1,565,870		34,663	255,311	6,870		12	72	55,318	55,318	3,969,591
1964	1,773,370		35,662	271,332	8,044		12	65	79,764	79,764	4,540,027
1966	2,145,352		37,279	299,409	8,641		12	51	76,335	76,335	5,353,115
1968	2,450,057		43,816	329,715	9,906		58	49	96,550	96,550	6,195,683

b. "Other" includes retirement associations, annuity associations, religious organizations, water companies and credit unions.

Source: Department of Corporations and Taxation

TABLE A-2 CONTINUED

TOTAL VALUATION OF EXEMPT REAL AND PERSONAL
PROPERTY IN BOSTON BY CATEGORY:

1950 - 1970

(In Thousands)

Year	Property of the City	Housing Authorities	Organizations of War Veterans	Property of Militia Or- ganizations	Property of Fraternal Societies	Property of Societies	Grand Total <u>c/</u>
1950	\$245,539	--	\$1,205	--	--	\$54	\$614,718
1952	219,894	\$49,105	1,181	--	--	69	704,939
1954	222,647	74,244	1,168	--	--	68	791,826
1956	223,000	72,020	1,212	--	--	19	837,976
1958	227,518	82,412	1,238	--	--	20	873,838
1960	235,941	92,935	1,405	--	--	68	913,228
1962	257,714	99,843	1,199	--	--	25	958,789
1964	280,599	100,392	1,195	--	--	133	1,041,902
1966	350,717	102,497	821	--	10	135	1,181,699
1968	403,767	102,953	848	--	--	--	1,338,904
1970	641,188	108,742	828	7	22	228	1,873,266

c. Details may not add to totals due to rounding.

Source: Department of Corporations and Taxation.

TABLE A-2

TOTAL VALUATION OF EXEMPT REAL AND PERSONAL
PROPERTY IN BOSTON BY CATEGORY:

1950 - 1970

(In Thousands)

Year	Property of the United States	Property of the Commonwealth	Literary and Scientific Institutions	Charitable and Benevolent Institutions and Temperance Societies	Parsonages	Houses of Religious Worship	Cemeteries and Property Held For Care of Cemeteries
1950	\$113,408	\$99,817	\$60,735	\$57,208	--	\$819	\$1,587
1952	127,047	122,477	76,201	71,868	--	768	34,789
1954	128,979	144,940	88,677	88,789	--	354	39,397
1956	126,876	173,571	97,862	101,048	--	1,104	36,193
1958	118,279	181,928	110,314	106,356	--	769	40,001
1960	116,914	184,982	122,771	114,367	--	912	37,925
1962	112,110	190,280	134,250	118,265	--	852	39,171
1964	114,914	207,611	157,082	134,428	--	861	39,729
1966	114,331	230,890	176,178	157,088	--	926	42,960
1968	112,214	281,558	207,482	180,943	650	992	42,069
1970a/	102,991	391,942	316,429	243,437 b/	--	--	5,429
						61,715	5,737

a. Preliminary and unadjusted figures (e.g., data for "Parsonages" not separated from "Houses of Religious Worship")

b. In 1970, Boston had only one temperance organization, and this was valued at \$10,000.

TABLE A-3

EXEMPT AREAS, VALUATIONS, ASSESSMENT RATIOS AND FULL
VALUE TAX RATES FOR REPORTING CITIES AND TOWNS: 1970

Cities	Exempt Real Property Valuation (In Thousands)	Percent of Total Real Property Valuation	Exempt Area (In Acres)	Percent Exempt of Total Area	Estimated Assessment Ratios		Full Value Tax Rates
					Exempt Buildings	Exempt Land	
*Boston a/	\$1,561,888	51.9%	12,277	44.4%	--**	--	\$121.50 58.00
213,691	44.0	1,837	45.9	20%	--	63	
*Cambridge	74,270	39.0	10,415	49.5	--	--	69.10
Fall River	5,560	13.4	5,683	32.6	10-50	30	47.50
Gardner	28,692	27.5	209 b/	1.0 b/	45	44	55.90
Haverhill							
Holyoke	58,488	36.7	3,731	27.5	50	40	55.00
Lawrence	35,717	28.1	352	19.7	--	41	56.10
Leominster	26,537	15.0	4,927	26.7	85	80	34.00
Marlborough	23,340	35.6	--	--	--	40	56.50
Newton	96,503	22.9	--	--	50	10-20	50.00
North Adams	33,720	32.9	3,200	24.3	85	20	97
*Northampton	61,367	38.7	2,162	9.3	100	100	44.00
Pittsfield	96,135	25.8	4,435	17.0	30	30	49.40
*Quincy	51,910	21.2	3,365	31.0	40	40	55.20
Salem	37,979	33.9	1,000	19.6	43	43	58.20
*Somerville a/	48,950	28.3	--	--	--	45	64.30
Springfield	185,053	25.0	--	--	--	97	63.70
Waltham	63,940	30.0	3,678	46.3	--	50	44.40
*Westfield	33,738	20.7	2,250	7.5	--	--	41.00
*Woburn	23,945	22.4	657	8.0	40	49	49.20
Worcester	221,333	37.5	5,800	24.4	70	70	76.40

* Data listed are from 1969.

** Use of -- indicates data unavailable.

a. No questionnaire filed. Valuation data obtained from Form 121, Department of Corporations and Taxation.

b. Based on incomplete data.

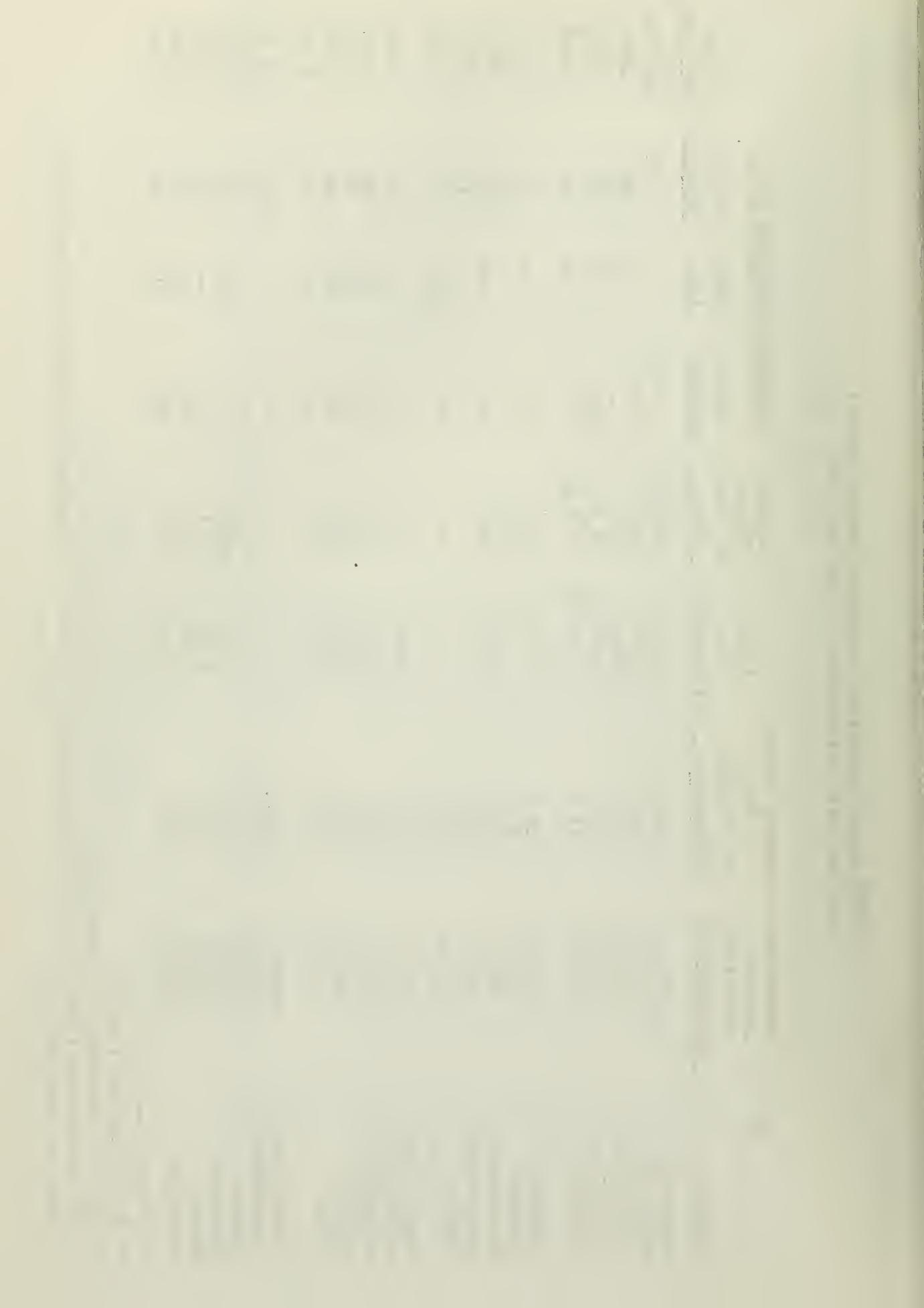


TABLE A-3 Continued

EXEMPT AREAS, VALUATIONS, ASSESSMENT RATIOS AND FULL
VALUE TAX RATES FOR REPORTING CITIES AND TOWNS: 1970

Towns	Exempt Real Property Valuation (In Thousands)	Percent Exempt of Total Real Property Valuation	Exempt Area (In Acres)	Estimated Assessment Ratios				Full Value Tax Rates
				Buildings	Exempt Land	Taxable Property	Percent Exempt of Total Area	
Acushnet	\$ 191	2.6%	87	.8%	20%	24%	\$35.00	
*Amherst	148,636	67.0	1,950	11.0	100	100	43.00	
Andover	53,411	22.1	3,721	18.7	--	97	44.80	
Arlington	51,285	13.3	482	14.5	100	80	47.40	
Ashby	904	6.5	996	6.6	70	60	39.30	
Ashfield	596	7.8	425	1.7	100	80	34.20	
Ashland	9,455	20.3	2,076	26.1	--	75	47.70	
Auburn	5,914	15.4	322	3.2	50	39	40.60	
*Avon	5,146	33.6	354	12.7	50	20	50.90	
*Bellingham	4,270	18.3	257	2.2	40	40	58.60	
*Belmont	36,000	12.8	423	14.4	100	100	29.50	
Blackstone	3,990	13.0	342	4.9	100	100	44.20	
Blandford	204	14.7	1,302	3.9	25	25	33.90	
Borborough	659	20.0	513	7.7	20	--	33.40	
*Braintree	35,113	27.8	5,033	57.4	35	10	36.40	
Brewster	3,356	7.9	2,500	17.9	75	75	11.50	
*Brookline	71,053	14.5	1,062	25.5	100	88	43.30	
Buckland	4,268	34.6	239	1.9	100	97	47.30	
Carver	731	12.5	2,225	9.1	--	27	34.70	
Charlton	1,403	19.3	2,200	8.0	40	40	34.50	
*Chatham	2,609	6.1	5,194	51.1	30	20	45	17.20
Chelmsford	9,548	17.8	1,025	7.1	25	10	32	48.30
*Chester	211	4.6	30	.1	33	33	88	35.10
Concord	78,105	32.9	4,561	28.6	100	100	100	39.20
Cummington	578	15.7	777	5.3	80	40	75	28.30

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TABLE A-3 Continued

EXEMPT AREAS, VALUATIONS, ASSESSMENT RATIOS AND FULL VALUE TAX RATES FOR REPORTING CITIES AND TOWNS: 1970

Towns	Exempt Real Property Valuation (In Thousands)	Percent Exempt of Total Real Property Valuation	Exempt Area (In Acres)	Percent Exempt of Total Area	Estimated Assessment Ratios		Full Value Tax Rate
					Exempt Buildings	Taxable Property	
Mendon	\$ 1,790	13.8%	51	.4%	--%	95%	\$36.60
Merrimac	1,854	11.9	500	9.0	88	60	55.70
Middleborough	6,757	12.0	233	.5	75	75	50.90
Middlefield	45	.2	501	3.2	100	--	25.00
Middleton	4,488	20.2	692	7.6	--	--	47.60
*Milford	2,152	9.0	93	1.0	30	30	42.50
Millbury	5,112	32.5	386	3.8	26	26	44.70
Milton	22,431	26.0	--	--	--	28	34.30
Monroe	338	29.3	1,901	27.4	55	55	50.40
*Monson	10,558	29.4	1,862	6.5	50	100	41.20
Montague	6,709	19.6	2,939	14.8	95	95	48.50
*Nahant	8,075	35.4	132	19.8	64	64	43.50
Nantucket	7,758	27.8	4,575	14.4	50	30	19.70
*Natick	38,923	18.4	1,656	17.4	--	79	42.80
Needham	33,450	10.4	1,763	22.0	100	100	36.90
New Ashford	121	5.2	3,761	43.0	--	97	17.50
Norfolk	32,011	59.8	1,609	16.6	100	100	37.50
N. Andover	7,113	18.2	3,615	21.2	--	33	37.60
*N. Brookfield	3,005	17.4	936	6.9	100	99	30.70
Northbridge	6,078	33.2	--	--	25	22	41.30

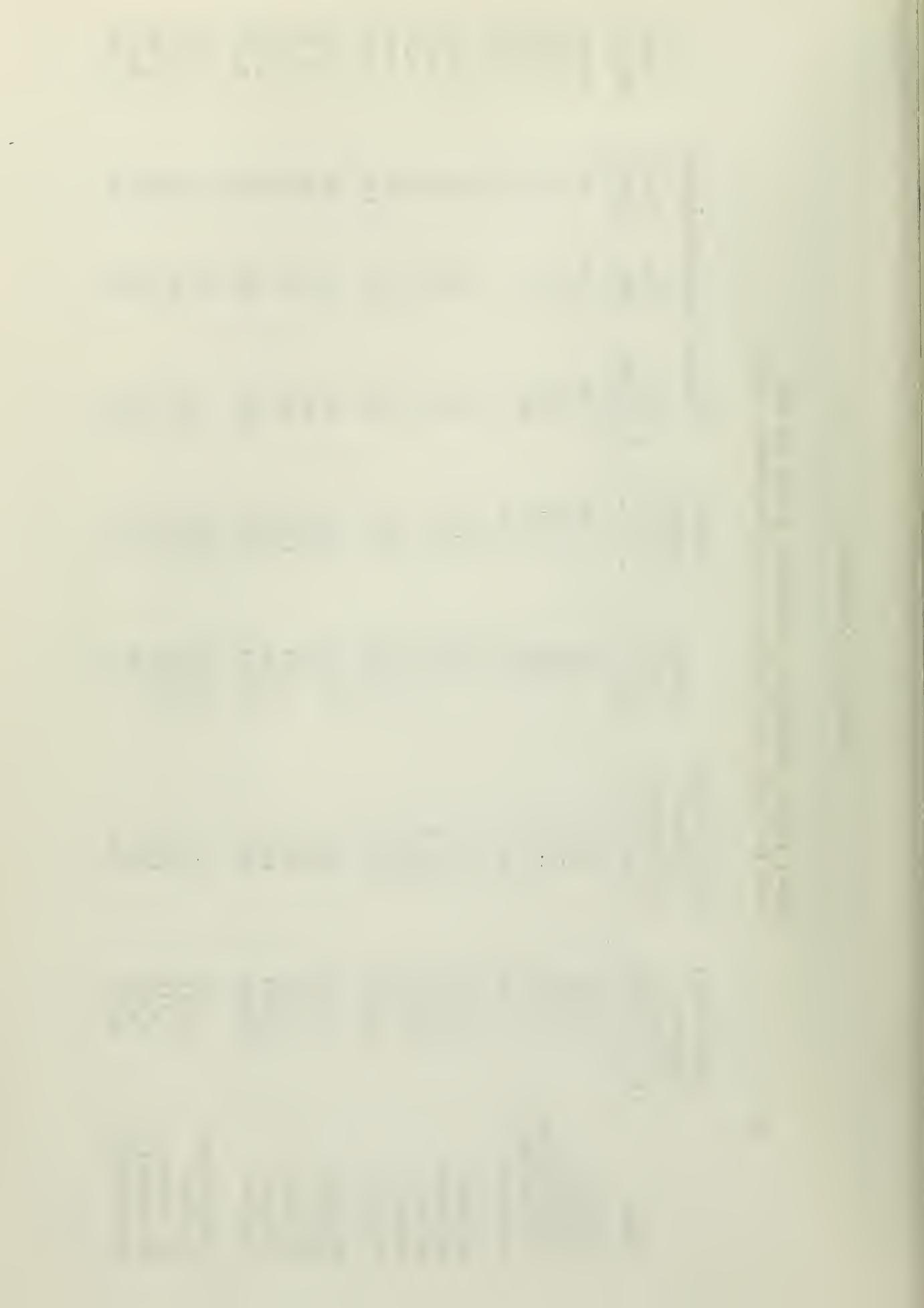


TABLE A-3 Continued

EXEMPT AREAS, VALUATIONS, ASSESSMENT RATIOS AND FULL
VALUE TAX RATES FOR REPORTING CITIES AND TOWNS: 1970

Towns	Exempt Real Property Valuation (In Thousands)	Percent Exempt of Total Real Property Valuation	Exempt Area (In Acres)	Percent Exempt of Total Area	Estimated Assessment Ratios		
					Exempt Buildings	Exempt Land	Full Value Tax Rate
Northfield	\$12,952	52.4%	2,749	12.6%	100%	98%	\$27.40
Norwell	4,770	9.1	1,429	10.6	--	100	47.00
Norwood	18,738	19.1	1,115	16.6	50	45	45.60
Otis	302	6.9	640	2.8	50	63	27.70
Oxford	4,229	17.4	650	3.8	40	52	56.40
*Palmer	2,857	18.3	1,464	7.3	25	22	28.20
*Pelham	132	9.0	1,244	7.8	25	10	33.20
Pepperell	1,855	8.0	265	1.8	^{a/}	^{a/}	39.20
Plainville	1,119	14.5	500	7.1	30	29	43.20
Plymouth	30,256	44.1	2,500	40.0	90	90	39.90
*Provincetown	12,219	47.0	83	1.6	100	100	34
Randolph	19,491	14.7	--	--	--	97	58.00
Reading	20,895	12.4	1,141	18.1	90	90	44.00
Rehoboth	2,944	9.9	436	1.6	60	60	41.60
Rowe	644	6.5	1,016	6.7	50	50	12.50
Russell	63	2.1	1,000	8.8	75	30	27.90
Rutland	3,334	24.6	6,192	27.3	70	71	34.00
*Sandisfield	120	7.8	63	.2	40	45	28.90
Sandwich	11,680	10.9	11,035	40.5	100	95	10.50
Scituate	17,375	15.1	1,035	9.6	70	88	53.00

a. Very low.

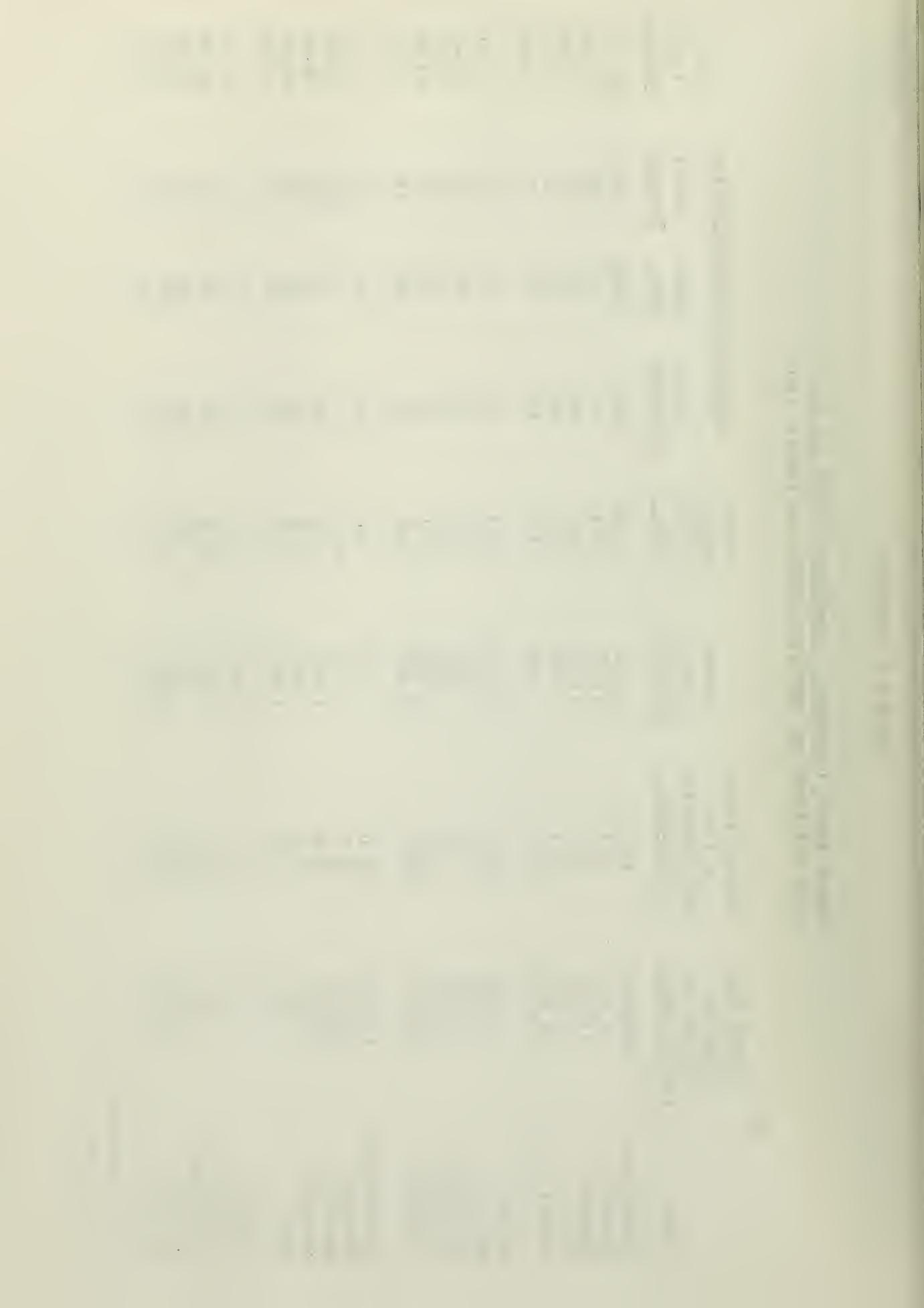


TABLE A-3 Continued

EXEMPT AREAS, VALUATIONS, ASSESSMENT RATIOS AND FULL VALUE TAX RATES FOR REPORTING CITIES AND TOWNS: 1970

Towns	Exempt Real Property Valuation (In Thousands)	Percent Exempt of Total Real Property Valuation	Exempt Area (In Acres)	Percent Exempt of Total Area			Estimated Assessment Ratios		
				Exempt Buildings	Exempt Land	Property	Exempt	Taxable	Value Tax Rate
Sharon	\$15,320	18.6%	2,886	19.1%	--	--	--	79%	\$45.10
Sheffield	4,846	21.2	1,263	4.1	100%	100	100	26.00	
Shrewsbury	9,580	8.6	554	4.2	60	60	60	39.00	
*Southborough	10,385	22.6	2,675	30.3	90	60	100	38.00	
Southbridge	8,668	29.1	866	6.6	--	--	30	41.70	
Spencer	3,500	9.0	259	1.2	80	95	95	37.10	
Stockbridge	7,562	32.7	2,065	14.1	60	40	78	32.10	
Stoneham	26,169	31.1	1,425	36.9	--	--	44	48.10	
*Stoughton	8,255	19.7	905	8.7	33	15	36	52.00	
Stowe	3,159	10.9	430	3.8	100	100	96	42.80	
Sturbridge	7,216	16.9	--	--	100	100	100	32.00	
Swampscott	11,709	10.3	189	9.6	100	100	96	48.80	
Tisbury	369	8.4	128	2.8	--	--	34	33.00	
*Tolland	11	19.7	985	4.8	30	30	29	12.90	
Tynsborough	2,621	44.3	786	7.3	--	--	19	56.20	
*Uxbridge	65	.9	265	1.4	25	20	27	36.90	
Wakefield	13,578	15.8	710	15.1	33	15	41	44.50	
*Walpole	16,616	13.2	2,498	19.0	100	100	97	40.60	
Wareham	4,412	13.5	1,512	6.4	33	33	32	32.80	
Warren	3,877	21.1	190	1.1	90	90	93	44.50	

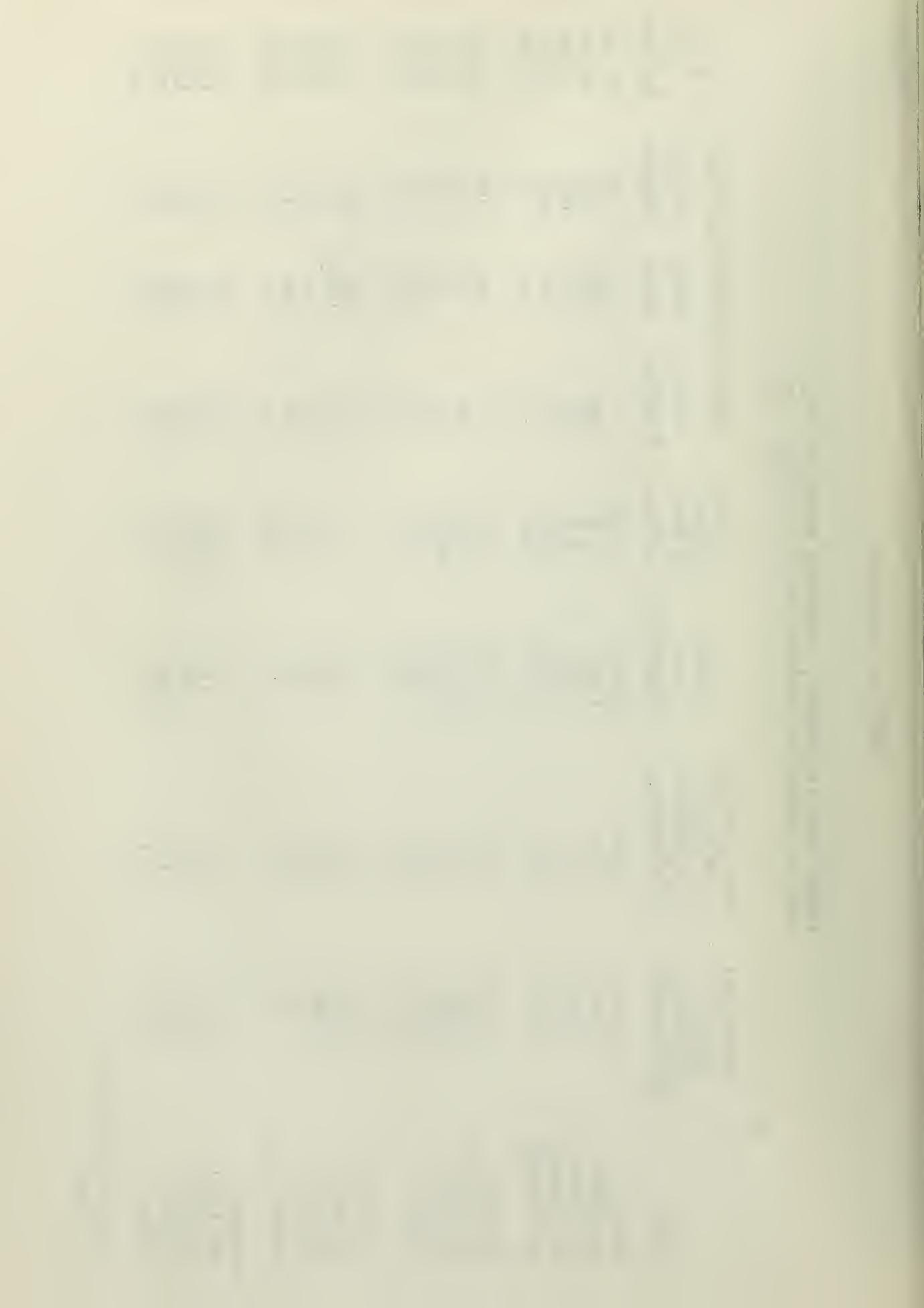


TABLE A-3 Continued

EXEMPT AREAS, VALUATIONS, ASSESSMENT RATIOS AND FULL
VALUE TAX RATES FOR REPORTING CITIES AND TOWNS: 1970

Towns	Exempt Real Property Valuation (In Thousands)	Percent Exempt of Total Real Property Valuation	Exempt Area (In Acres)	Estimated Assessment Ratios			Full Value Tax Rate
				Percent Exempt of Total Area	Exempt Buildings	Taxable Property	
Warwick ^{a/}	\$ 275	18.1%	456	1.9%	37%	45%	\$31.60
*Watertown	25,327	23.1	581	22.4	--	39	46.50
Wellesley	75,000	22.3	1,555	24.2	80	86	38.60
Wenham	10,615	24.2	945	19.1	--	100	28.20
W. Boylston	7,354	19.0	2,526	31.1	40	--	38.20
W. Bridgewater	5,062	14.8	980	9.9	33	40	54.70
W. Brookfield	304	2.1	269	2.0	40	--	33.80
W. Newbury	4,270	28.8	818	9.2	100	89	40.00
W. Springfield	27,508	21.6	5,520	51.5	50	49	32.10
W. Stockbridge	426	6.2	368	3.1	70	100	39.90
*Westborough	25,437	53.6	2,840	21.1	35	35	42.70
Westhampton	205	5.0	13	.1	80	100	34.60
*Westminster	2,777	13.0	3,207	14.1	90	90	38.80
Westwood	14,764	10.9	872	12.2	--	--	40.70
*Weymouth	52,313	14.6	2,367	22.1	85	85	34.10
Whately	161	8.0	245	1.8	30	30	32.80
Wilbraham	15,737	17.4	1,626	11.4	--	--	37.90
Williamstown	33,965	46.2	5,693	19.0	--	--	43.00
*Winchester	29,043	13.7	1,300	34.4	80-90	100	43.00
Wrentham	20,585	45.2	2,462	17.5	76	48	49.10

a. Data excludes the state forest.

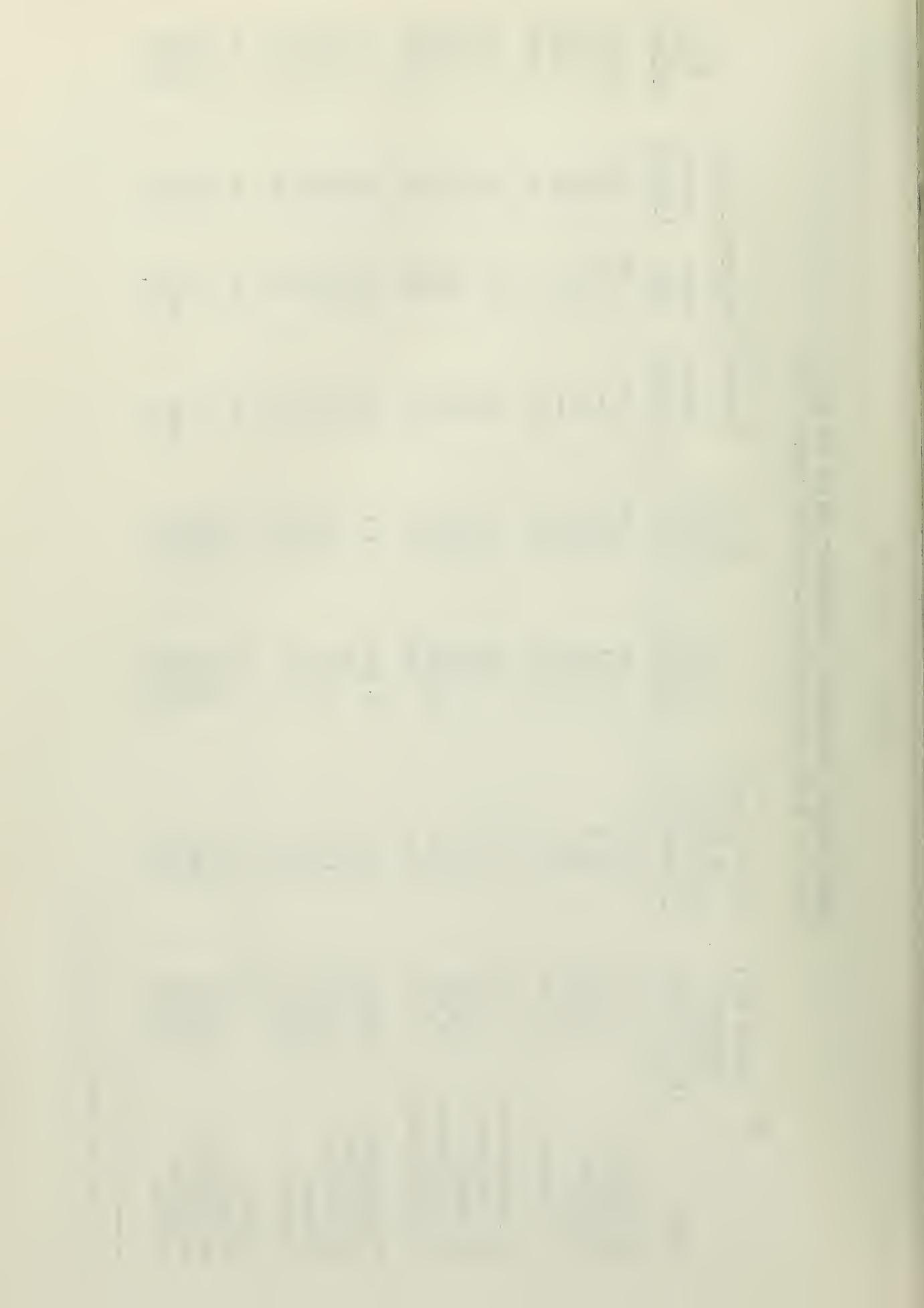


TABLE A-4

VALUATION, POTENTIAL TAX, ENROLLMENT AND EXPENDITURES OF
PRIVATE HIGHER EDUCATIONAL INSTITUTIONS IN MASSACHUSETTS: 1968

College and Location	Exempt Valuation (In Thousands)	Potential Tax (In Thousands)	Expenditures of the Institution (In Thousands)	**Enrollment
American International College-Springfield	\$ 3,007.6	\$ 163.9	\$ 3,117.6	1,915
Amherst College-Amherst	26,598.0	944.2	8,833.3	1,213
Amherst College-Pelham	1.4 b/	.1	*	*
Anna Maria College-Paxton	3,034.2 c/	279.1	.9	622
Andover Newton Theological School-Newton	2,848.3	252.4	797.8	388
Aquinas Junior College-Milton	2,448.9	218.0	355.7	192
Assumption College-Worcester	2,722.4	271.7	2,294.2	1,004
Atlantic Union College-Lancaster	4,179.3	137.9	2,412.9	889
Babson Institute-Wellesley	3,762.2	120.4	1,749.1	783
Babson Institute-Needham	367.4	11.0	*	*
Bay Path Junior College-Longmeadow	1,749.5	70.9	1,026.0	492
Becker Junior College-Worcester	623.2	62.2	935.6	615
Bentley College-Boston	1,367.3	176.7	2,692.7	1,985
Bentley College-Waltham	61.0	5.3	*	*
Berklee School of Music-Boston	784.8	101.4	521.4	680
Berkshire Christian College-Stockbridge	696.0	22.3	212.5	139
Berkshire Christian College-Lenox	98.4	30.5	*	*
Boston College-Newton	20,433.7	1,810.4	21,111.8	8,813
Boston College-Boston	505.0	65.2	*	*
Boston Conservatory of Music-Boston	714.1	92.3	499.1	446

* The institution's initial listing contains its total expenditures and enrollment.

** Full and part-time enrollment, excluding evening and extension students.

a. Real and personal.

b. 1969.

c. 1967.

TABLE A-4 Continued

VALUATION, POTENTIAL TAX, ENROLLMENT AND EXPENDITURES OF
PRIVATE HIGHER EDUCATIONAL INSTITUTIONS IN MASSACHUSETTS: 1968

College and Location	Exempt Valuation (In Thousands)	Potential Tax (In Thousands)	Expenditures of the Institution (In Thousands)	Enrollment
Boston University-Boston	\$45,663.5	\$ 5,899.7	\$54,768.7	19,414
Boston University-Brockline	439.0	18.2	*	*
Boston University-North Andover	114.5	10.5	*	*
Boston University-Wellesley	41.2	1.3	*	*
Bradford Junior College-Haverhill	3,437.7	340.3	1,549.7	432
Brandeis University-Waltham	20,211.5	1,754.4	21,138.4	2,671
Brandeis University-Newton	32.6	2.9	*	*
Brandeis University-Wellesley	43.4	1.4	*	*
Brandeis University-Weston	215.0	8.3	*	*
Cambridge Junior College-Cambridge	46.8	3.9	53.5	a/
Cardinal Cushing College-Brookline	307.8	12.8	678.8	351
Chamberlayne Junior College-Boston	2,436.5	314.8	2,691.7	1,300
Clark University-Worcester	7,937.6	797.2	6,813.2	1,733
College of Our Lady of the Elms-Chicopee	3,295.1	319.7	978.4	660
College of the Holy Cross-Worcester	17,919.3	1,788.3	7,777.1	2,353
College of Sacred Heart-Fall River	1,181.9	146.3	-- b/	230
Dean Junior College-Franklin	3,797.9	148.1	2,675.8	916
Eastern Nazarene College-Quincy	2,802.0	277.2	1,697.2	855
Emerson College-Boston	1,095.0	141.5	2,370.5	1,212
Emmanuel College-Boston	9,998.7	1,291.8	3,206.4	1,463

a. Classes Temporarily suspended in 1968-1969.

b. Use of -- indicates data not available.

TABLE A-4 Continued

VALUATION, POTENTIAL TAX, ENROLLMENT AND EXPENDITURES OF
PRIVATE HIGHER EDUCATIONAL INSTITUTIONS IN MASSACHUSETTS: 1968

<u>College and Location</u>	<u>Exempt Valuation (In Thousands)</u>	<u>Potential Tax (In Thousands)</u>	<u>Expenditures of the Institution (In Thousands)</u>
Endicott Junior College-Beverly	\$ 5,570.1	\$ 227.3	\$ 2,601.2
Episcopal Theological School-Cambridge	4,735.5	390.7	735.9
Fisher Junior College-Boston	752.9 ^{a/}	97.3	851.7
Franklin Institute-Boston	360.0 ^{a/}	46.5	-- ^{b/}
Garland Junior College-Boston	1,055.0	136.3	1,117.9
Gordon College and Divinity School-Wenham	4,588.8	307.5	1,801.4
Gordon College and Divinity School-Beverly	0.1	0.0	*
Gordon College and Divinity School-Hamilton	73.3	6.6	*
Gordon College and Divinity School-Manchester	29.5	0.8	*
Hampden College of Pharmacy-Chicopee	15.0	1.5	*
Harvard University-Cambridge	65,177.6 ^{c/}	5,377.2	149,747.9
Harvard University-Boston	31,642.8	4,088.3	13,959
Harvard University-Bedford	45.2	3.2	*
Harvard University-Carlisle	0.9	0.1	*
Harvard University-Concord	64.5	3.3	*
Harvard University-Hamilton	143.0	12.9	*
Harvard University-Marlborough	4.5	0.6	*
Harvard University-Petersham	234.7	9.7	*
Harvard University-Southborough	1,208.7	42.3	*
Harvard University-Weston	345.8	13.4	*
Harvard University-Phillipston	4.5	0.5	*

a. Real only.
b. Use of -- indicates data not available.
c. Excluding Radcliffe.

TABLE A-4 Continued

VALUATION, POTENTIAL TAX, ENROLLMENT AND EXPENDITURES OF
PRIVATE HIGHER EDUCATIONAL INSTITUTIONS IN MASSACHUSETTS: 1968

<u>College and Location</u>	<u>Exempt Valuation (In Thousands)</u>	<u>Potential Tax (In Thousands)</u>	<u>Expenditures of the Institution (In Thousands)</u>	<u>Enrollment</u>
Hebrew Teachers College-Brookline	\$ 409.4	\$ 17.0	\$ 312.2	156
Hellenic College-Brookline	1,821.5	75.6	-- a/	109
La Sallete College and Seminary-Ipswich	563.0	24.4	--	76
Lasell Junior College-Newton	3,363.5	298.4	1,552.2	911
Leicester Junior College-Leicester	581.0	51.1	494.5	258
Lesley College-Cambridge	1,593.0	131.4	1,742.2	681
Marist College and Seminary-Framingham	1,647.4	72.5	--	24
Massachusetts College of Optometry-Boston	225.0	29.1	1,690.0	192
Massachusetts Institute of Technology-Cambridge	44,914.0	3,705.4	200,109.4	8,294
Massachusetts Institute of Technology-Boston	25.0	3.2	*	*
Massachusetts Institute of Technology-Dedham	116.0	9.7	*	*
Massachusetts Institute of Technology-Lexington	56.8	3.1	*	*
Massachusetts College of Pharmacy-Boston	705.0	91.1	*	663
Merrimack College-Andover	2,299.1	71.3	3,106.4	1,848
Merrimack College-North Andover	3,677.7	338.3	*	*
Mount Holyoke College-South Hadley	12,794.9	946.8	6,507.7	1,801
Mount Alverina College-Newton	1,502.4	133.1	--	60
Mount Ida Junior College-Newton	2,136.5	189.3	1,505.7	562
New England Conservatory of Music-Boston	3,035.3	392.2	1,741.5	530
New England Conservatory of Music-Wellesley	531.9	17.0	*	*
Newton College of Sacred Heart-Newton	5,758.6	510.2	--	830
Nicholls College of Business Administration-Dudley	981.0	51.0	1,207.4	670
Northeastern University-Boston	21,864.6	2,824.9	26,502.4	34,705
Northeastern University-Ashland	555.4	26.7	*	*
Northeastern University-Brookline	298.7	12.4	*	*

a. Use of -- indicates data not available.

TABLE A-4 Continued

VALUATION, POTENTIAL TAX, ENROLLMENT AND EXPENDITURES OF
PRIVATE HIGHER EDUCATIONAL INSTITUTIONS IN MASSACHUSETTS: 1968

<u>College and Location</u>	<u>Exempt Valuation (In Thousands)</u>	<u>Potential Tax (In Thousands)</u>	<u>Expenditures of the Institution (In Thousands)</u>	<u>Enrollment</u>
Northeastern University-Burlington	\$ 797.9 <u>a/</u>	\$ 30.2	\$ *	*
Northeastern University-Nahant	525.6	31.8	*	*
Northeastern University-Weston	178.0	6.9	*	*
Oblate College and Seminary-Natick	658.9	30.3	116.8	40
Pine Manor Junior College-Brookline	4,760.0	197.5	1,466.4	402
Portia Law and Calvin Coolidge College-Boston	327.3	42.3	392.0	320
Queen of Apostles Seminary-Dedham	394.5	33.1	334.4	20
Radcliffe College-Cambridge	11,653.4	961.4	5,363.2	1,209
Regina Coeli College-Fitchburg	839.7	89.0	263.8	15
Regis College-Weston	8,841.7	353.0	729.3	1,132
St. Columban's Seminary-Milton	1,073.0	95.5	267.0	24
St. Hyacinth's College and Seminary-Granby	1,534.8	112.0	-- <u>b/</u>	56
St. John's Seminary-Boston	640.0 <u>c/</u>	82.7	--	316
St. Stephen's College-Dover	1,203.6	26.5	339.4	64
Simmons College-Boston	6,413.6	828.6	4,908.4	2,090
Simmons College-Brockline	89.0	3.7	*	*
Smith College-Northampton	20,067.5	842.8	11,292.5	2,468
Smith College-Conway	0.3	0.0	*	*
Smith College-Easthampton	0.1	0.0	*	*
Smith College-Whately	52.5	4.5	*	*

a. 1967.
b. Use of -- indicates data not available.
c. Real only.

TABLE A-4 Continued

VALUATION, POTENTIAL TAX, ENROLLMENT AND EXPENDITURES OF
PRIVATE HIGHER EDUCATIONAL INSTITUTIONS IN MASSACHUSETTS: 1968

College and Location	Exempt Valuation (In Thousands)	Potential Tax (In Thousands)	Expenditures of the Institution (In Thousands)		Enrollment
			Expenditures	the Institution	
Springfield College-Springfield	\$ 6,782.0 a/	\$ 369.6	\$ 5,149.1	1,957	
Stonehill College-North Easton	5,250.0	210.0	1,917.2	1,243	
Suffolk University-Boston	4,309.5	556.8	2,432.2	2,355	
Tufts University-Medford	13,300.6	1,409.9	24,545.9	6,488	
Tufts University-Boston	719.0	92.9	*	*	
Tufts University-Somerville	6,608.1	360.1	*	*	
Wellesley College-Wellesley	27,352.7	875.3	8,955.4	1,742	
Wentworth Institute-Boston	3,342.9	431.9	3,869.8	2,031	
Wentworth Institute-Plainville	179.0	23.6	*	*	
Wentworth Institute-Wrentham	1.7	0.1	*	*	
Western New England College-Springfield	2,113.2 a/	115.2	1,966.1	971	
Wheaton College-Norton	11,913.5	557.6	4,126.2	1,124	
Wheelock College-Boston	2,646.3	341.9	1,686.0	617	
Wheelock College-Brookline	959.7	39.8	*	*	
Williams College-Williamstown	24,090.3	987.7	7,993.2	1,267	
Williams College-Rowe	1.7	0.0	*	*	
Woods Hole Oceanographic Institution-Falmouth	9,037.0	551.3	---	---	
Worcester Junior College-Worcester	447.9 c/	44.7	---	---	
Worcester Polytechnic Institute-Worcester	11,035.9	1,101.4	7,227.6	1,724	
Worcester Polytechnic Institute-Holden	1,120.5	36.4	*	*	
TOTAL d/	\$615,342.4	\$50,746.8	\$651,631.5	154,085	

a. 1965.

b. Use of -- indicates data not available.

c. Real only.

d. Details may not add to totals due to rounding. Expenditure total incomplete.

Source: Form 121, Form 3 ABC, New England Board of Higher Education, Facts About New England Colleges and Universities, 1968-69.

TABLE A-5

VALUATIONS, POTENTIAL TAX, EXPENSES AND
ADMISSIONS OF PRIVATE HOSPITALS IN MASSACHUSETTS: 1968

Hospital and Location	Exempt Valuation (In Thousands) a/	Potential Tax (In Thousands)	Total Expenses (In Thousands)	Admissions
<u>Arlington</u> Symmes Hospital	\$ 2,225.2	\$ 275.9	\$ 3,233	5,286
<u>Athol</u> Athol Memorial Hospital	562.8	66.9	1,212	2,819
<u>Attleboro</u> Sturdy Memorial Hospital	4,940.0 b/	175.4	4,507	8,098
<u>Ayer</u> Nashoba Community Hospital	1,286.1	106.7	1,250	2,595
<u>Belmont</u> McClean Hospital c/	12,035.9 d/	276.8	6,160	305
<u>Beverly</u> Beverly Hospital	4,015.0	163.8	5,903	7,046
<u>Boston</u>				
Adams Nervine Asylum	107.0	13.8	114	---
Beth Israel Hospital	17,377.8	2,245.1	13,873	11,324
Boston Lying-in Hospital	4,011.2	455.6	5,938	10,289
Carney Hospital	7,543.7	974.6	8,379	11,130
Children's Hospital Medical Center	20,265.8	2,618.2	18,408	12,376
Faulkner Hospital	3,046.7	393.5	4,478	4,974
Hahnemann Hospital	846.0	109.2	694	1,132

* Use of -- indicates data not available.

- a. Real and personal.
- b. 1970.
- c. Division of Massachusetts General Hospital.
- d. Excluding land.

TABLE A-5 Continued

VALUATIONS, POTENTIAL TAX, EXPENSES AND
ADMISSIONS OF PRIVATE HOSPITALS IN MASSACHUSETTS: 1968

Hospital and Location	Exempt Valuation (In Thousands)	Potential Tax (In Thousands)	Total Expenses (In Thousands)	Admissions
<u>Boston</u>				
Hebrew Rehabilitation Center for the Aged	\$ 5,718.6	\$ 738.8	\$ 2,605	108
Jewish Memorial Hospital	2,918.5	377.0	2,880	280
Joseph P. Kennedy, Jr., Memorial Hospital	2,001.8	258.5	1,631	1,036
Massachusetts Eye and Ear Infirmary	1,321.3	170.7	5,671	11,038
Massachusetts General Hospital a/	27,809.2	3,592.9	46,382	26,635
New England Baptist Hospital	4,552.6	588.1	7,926	7,137
New England Deaconess Hospital	9,351.3	1,272.7	12,083	10,603
New England Hospital	862.9	111.4	1,797	2,295
New England Medical Center	7,719.5	997.3	14,632	9,948
New England Sinai Hospital	111.3 b/	14.3	--	--
Parker Hill Medical Center	271.6 b/	35.0	892	1,525
Peter Bent Brigham Hospital	5,998.9	774.9	17,082	8,392
Robert B. Brigham Hospital	679.7	87.7	2,467	1,517
St. Elizabeth's Hospital	6,150.0 b/	794.6	--	--
St. Margaret's Hospital	874.5 b/	112.9	3,471	7,886
University Hospital	1,732.2	223.8	11,049	5,705
Washingtonian Hospital	169.2	21.8	296	--
Shriners Hospital for Crippled Children	2,518.0	325.2	1,171 c/	--
Massachusetts Osteopathic Hospital	1,180.2	152.5	1,291	--
Jewish Tuberculosis Sanitarium	111.3 b/	14.3	--	--
Lahey Clinic	280.0 b/	36.2	--	--
<u>Brockton</u>				
Brockton Hospital	5,032.8	633.0	6,124	9,654
Phaneuf Hospital	132.9	16.6	631	--
Cardinal Cushing Hospital	5,032.0 b/	633.0	2,650	2,744

a. Includes Baker, Mercer, and Phillips.

b. Real property only.

c. Includes Boston and Springfield branches.

TABLE A-5 Continued

VALUATIONS, POTENTIAL TAX, EXPENSES AND
ADMISSIONS OF PRIVATE HOSPITALS IN MASSACHUSETTS: 1968

<u>Hospital and Location</u>	<u>Exempt Valuation (In Thousands)</u>	<u>Potential Tax (In Thousands)</u>	<u>Total Expenses (In Thousands)</u>	<u>Admissions</u>
<u>Brookline</u>				
Boston Hospital for Women	\$ 1,092.5	\$ 45.4	\$ 2,309	3,291
Brookline Hospital	1,400.6	58.1	1,561	3,070
Brooks Hospital	597.1	24.8	828	—
<u>Cambridge</u>				
Holy Ghost Hospital	2,609.9	215.3	4,063	531
Mt. Auburn Hospital	3,756.2	309.9	7,584	9,029
Santa Maria Hospital	467.6	38.6	570	1,693
<u>Chelsea</u>				
Chelsea Memorial Hospital	2,563.7	339.9	1,388	2,407
<u>Clinton</u>				
Clinton Hospital	631.7	90.1	1,263	2,723
<u>Concord</u>				
Emerson Hospital	3,236.4	166.3	2,731	5,950
<u>Everett</u>				
Whidden Memorial Hospital	1,504.8	127.6	3,551	5,022
<u>Fall River</u>				
St. Anne's Hospital	1,864.7	230.9	3,538	7,350
Truesdale Hospital	1,814.1	224.6	3,961	6,859
Union Hospital	2,387.6	295.6	4,574	9,027
<u>Falmouth</u>				
Falmouth Hospital	2,815.5	171.7	1,422	3,296
<u>Framingham</u>				
Framingham Union Hospital a/	7,536.3	333.8	5,644	10,233

TABLE A-5 Continued

VALUATIONS, POTENTIAL TAX, EXPENSES AND
ADMISSIONS OF PRIVATE HOSPITALS IN MASSACHUSETTS: 1968

<u>Hospital and Location</u>	<u>Exempt Valuation (In Thousands)</u>	<u>Potential Tax (In Thousands)</u>	<u>Total Expenses (In Thousands)</u>	<u>Admissions</u>
<u>Gardner</u> Heywood Memorial Hospital	\$ 1,796.9	\$ 150.9	\$ 2,029	5,353
<u>Gloucester</u> Addison Gilbert Hospital	1,120.0	45.9	2,073	3,871
<u>Great Barrington</u> Fairview Hospital	586.2 ^{a/}	18.2	646 ^{b/}	1,714
<u>Greenfield</u> Franklin County Public Hospital	3,346.1	147.2	3,288	5,088
<u>Holden</u> Holden District Hospital	2,668.0	86.7	1,395	2,840
<u>Holyoke</u> Holyoke Hospital Providence Hospital	5,537.4 7,285.9	498.3 655.7	5,933 4,961	8,982 7,028
<u>Hyannis</u> (Barnstable) Cape Cod Hospital	1,195.4	74.1	3,335	7,079
<u>Ipswich</u> Cable Memorial Hospital	1,015.0 ^{c/}	43.6	835	1,238
<u>Lawrence</u> Lawrence General Hospital	2,986.0	305.2	6,115	10,245
<u>Leominster</u> Leominster Hospital	2,671.1	82.8	2,535	4,934

a. 1963.
b. Payroll only.
c. 1970.

TABLE A-5 Continued

VALUATIONS, POTENTIAL TAX, EXPENSES AND
ADMISSIONS OF PRIVATE HOSPITALS IN MASSACHUSETTS: 1968

Hospital and Location	Exempt Valuation (In Thousands)	Potential Tax (In Thousands)	Total Expenses (In Thousands)	Admissions
<u>Lowell</u>				
Lowell General Hospital	\$ 7.6	\$ 0.9	\$ 4,515	8,518
St. John's Hospital	4,255.4	519.1	4,928	9,209
St. Joseph's Hospital	49.3	6.0	4,504	8,896
<u>Ludlow</u>				
Ludlow Hospital	1,308.2	52.3	1,023	2,028
<u>Lynn</u>				
Lynn Hospital	4,709.8	61.2	8,293	10,649
Union Hospital	1,716.4	223.0	3,807	5,878
<u>Malden</u>				
Halden Hospital	4,326.8	223.0	7,159	10,426
<u>Marlboro</u>				
Marlborough Hospital	4,014.9	501.9	3,038	5,561
<u>Medford</u>				
Medford	1,321.4	140.0	3,171	6,202
<u>Melrose</u>				
Melrose-Wakefield Hospital	1,805.9	205.2	4,071	7,723
<u>Methuen</u>				
Bon Secours Hospital	6,082.6	632.5	1,529	9,735
<u>Middleboro</u>				
St. Luke's Hospital	1,205.8	67.5	694	1,809
<u>Milford</u>				
Milford Hospital	1,026.0	113.9	2,160	4,919
<u>Milton</u>				
Milton Hospital	1,351.5	120.2	1,774	2,364

TABLE A-5 Continued

VALUATIONS, POTENTIAL TAX, EXPENSES AND
ADMISSIONS OF PRIVATE HOSPITALS IN MASSACHUSETTS: 1968

<u>Hospital and Location</u>	<u>Exempt Valuation (In Thousands)</u>	<u>Potential Tax (In Thousands)</u>	<u>Total Expenses (In Thousands)</u>	<u>Admissions</u>
<u>Montague</u> Farren Memorial Hospital	\$ 3,599.0	\$ 172.7	\$ 1,748	3,019
<u>Nantucket</u> Nantucket Cottage Hospital	731.5	42.4	523	966
<u>Natick</u> Leonard Morse Hospital	1,487.0	68.4	2,660	4,167
<u>New Bedford</u> St. Luke's Hospital	5,890.9	600.8	7,946	14,532
<u>Newburyport</u> Anna Jaques Hospital	2,537.2	253.7	1,523	2,906
<u>Newton</u> Newton-Wellesley Hospital	4,512.6	399.8	6,884	8,794
<u>North Adams</u> North Adams Hospital	2,065.7	103.0	2,811	5,912
<u>Northampton</u> Cooley Dickinson Hospital	3,190.9	134.0	4,974	9,191
<u>Norwood</u> Norwood Hospital	2,963.2	225.2	5,553	9,672
<u>Oak Bluffs</u> Martha's Vineyard Hospital	301.1	17.5	581	1,024
<u>Palmer</u> Wing Memorial Hospital	779.4	85.7	1,400	2,170

TABLE A-5 Continued

VALUATIONS, POTENTIAL TAX, EXPENSES AND
ADMISSIONS OF PRIVATE HOSPITALS IN MASSACHUSETTS: 1968

<u>Hospital and Location</u>	<u>Exempt Valuation (In Thousands)</u>	<u>Potential Tax (In Thousands)</u>	<u>Total Expenses (In Thousands)</u>	<u>Admissions</u>
<u>Pittsfield</u>				
Hillcrest Hospital	\$ 929.3 a/	\$ 40.1	\$ 1,247	---
Pittsfield General Hospital b/	7,368.7	357.3	9,365	14,328
St. Luke's Hospital b/	3,116.3	151.1	2,587	---
<u>Plymouth</u>				
Jordan Hospital	1,431.9	132.9	1,837	4,243
<u>Salem</u>				
North Shore Babies and Children's Hospital	371.6 a/	34.5	1,280	4,019
Salem Hospital	2,408.5 a/	223.9	7,028	7,845
<u>Somerville</u>				
Scmerville Hospital	2,717.0	353.4	3,706	5,951
<u>South Attleboro</u>				
Fuller Memorial Sanitarium	322.5	114.5	402	684
<u>Southbridge</u>				
Harrington Memorial Hospital	1,296.3	145.2	1,786	4,131
<u>South Weymouth</u>				
South Shore Hospital	4,121.9	326.5	4,333	9,239
<u>Springfield</u>				
Mercy Hospital	4,937.1	269.1	5,432	8,838
Shriners Hospital	972.0 a/	52.9	c/	324

- a. Real property only.
- b. Part of Berkshire Medical Center.
- c. See Boston Branch.

TABLE A-5 Continued

VALUATIONS, POTENTIAL TAX, EXPENSES AND
ADMISSIONS OF PRIVATE HOSPITALS IN MASSACHUSETTS: 1968

<u>Hospital and Location</u>	<u>Exempt Valuation (In Thousands)</u>	<u>Potential Tax (In Thousands)</u>	<u>Total Expenses (In Thousands)</u>	<u>Admissions</u>
<u>Springfield</u>				
Wesson Maternity Hospital	\$ 3,188.4	\$ 173.8	\$ 2,295	6,368
Wesson Memorial Hospital	2,553.2 a/	138.9	5,357	10,920
Springfield Hospital	1,970.7	107.4	10,156	13,519
<u>Stockbridge</u>				
Ansten Riggs Center	1,007.3	32.2	1,305	30
<u>Stoneham</u>				
New England Memorial Hospital	4,230.6	450.2	4,133	5,684
<u>Stoughton</u>				
Goddard Memorial Hospital	1,698.3	241.8	4,272	8,221
<u>Taunton</u>				
Norton Hospital	1,130.5	98.3	4,537	6,724
<u>Waltham</u>				
Waltham Hospital	1,811.8	157.3	4,605	8,407
<u>Ware</u>				
Mary Lane Hospital	920.0	80.0	1,050	2,698
<u>Wareham</u>				
Tobey Hospital	735.9	65.5	1,448	2,675
<u>Webster</u>				
Webster District Hospital	797.6	57.5	1,079	2,589
<u>Westfield</u>				
Noble Hospital	2,878.1	123.8	2,512	4,010

a. Real property only.

TABLE A-5 Continued

VALUATION, POTENTIAL TAX, EXPENSES AND
ADMISSIONS OF PRIVATE HOSPITALS IN MASSACHUSETTS: 1968

Hospital and Location	Exempt Valuation (In Thousands)	Potential Tax (In Thousands)	Total Expenses (In Thousands)	Admissions
<u>Whitinsville</u> (Northbridge)				
St. Camillus Chronic Disease Hospital	\$ 263.2	\$ 40.0	\$ 367	39
Whitinsville Hospital	328.7	48.5	513	566
<u>Winchendon</u>				
Winchendon Hospital	121.2	10.9	---	---
<u>Winchester</u>				
Winchester Hospital	5,620.6	210.2	4,193	7,010
<u>Winthrop</u>				
Winthrop Community Hospital	973.0	45.3	1,809	2,125
<u>Woburn</u>				
Charles Choate Memorial Hospital	2,170.9	194.5	2,761	50,054
<u>Worcester</u>				
Fairlawn Hospital	1,140.0	113.7	1,730	3,927
Memorial Hospital	3,290.6 a/	328.3	7,428	13,139
St. Vincent Hospital	15,662.0	1,563.0	11,596	16,430
Worcester Hahnemann Hospital	3,312.9	330.5	1,302	8,224
<u>TOTAL b/</u>	\$382,218.7	\$36,979.1	\$495,734	702,281

- a. Real property only.
- b. Details may not add to totals due to rounding.

Source: American Hospital Association, Massachusetts Department of Public Health,
Form 121 and Form 3 ABC.

APPENDIX II

CHARTER PROVISIONS OF SELECTED ORGANIZATIONS RECEIVING PROPERTY TAX EXEMPTIONS

"To promote yachting, sailing and boating; to conduct races of boats of all kinds; to further the science of navigation and proficiency in seamanship; to encourage good sportsmanship, friendly competition and the social welfare of its members; to acquire and maintain facilities of every nature necessary or proper to further said purposes; to exercise any and all powers necessary or properly incidental to said purposes; but these purposes shall not include the right to apply for a license to sell alcoholic beverages."

"To unite fraternally and for mutual benefit in the encouragement, cultivation and fostering of social, educational and recreational activities and to establish, improve, maintain and conduct a reading room and a place for social meetings. No profit shall inure to any individual members of this corporation."

"To aid in promoting the civic, social and recreational interests of the community in . . . ; to engage in any activities which will tend to promote the welfare of the members of the association."

"To aid in promoting the civic, social, and recreational interests of the community in...; to engage in any activities which will tend to promote the welfare of the members of the corporation and in connection with these purposes to acquire such real and personal property as may be necessary for the furtherance of these purposes. The purposes shall not include the right to apply for a license to sell alcoholic beverages."

"To maintain a club for social enjoyment and betterment and to assist in promotion and development of benevolent and athletic interests in the Town. . . and to establish, maintain and conduct such club for the accommodation of members and their friends and to provide a club-house and other conveniences and accommodations of a club; and to hold, purchase, construct, erect, establish, own, or otherwise acquire property. . . incidental to these purposes, but these purposes shall not include the right to apply for a license to sell alcoholic beverages."

APPENDIX II-2

"To establish and maintain a place for holding meetings and to perform and encourage educational, social, athletic and civic activities, and these purposes shall include the right to apply for a license to sell alcoholic beverages."

KNIGHTS OF COLUMBUS ORGANIZATIONS

"The corporation is constituted for the purposes of promoting civic, educational, benevolent or religious pursuits, to encourage athletic exercises; to promote temperance and morality in the Commonwealth; to establish and maintain a place for reading rooms, libraries, and social meeting halls; to purchase, mortgage, rent or lease such real estate and personal property as may be necessary for the purposes aforesaid; and the purposes shall include the right to apply for license to sell alcoholic beverages, no profit to inure to any individual member of this association."

"To encourage athletic exercises and to establish and maintain a place for reading rooms and social intercourse of its members, to purchase real estate, to hold, own mortgage, lease, rent and transfer said real estate for purposes aforesaid and for all other purposes incident and necessary for carrying out the purposes aforesaid."

"To acquire, hold, own, lease and mortgage real and personal property for the purpose of the maintenance of a building or buildings together with the reconstruction, replacement or repairs of said building or buildings to be used as a home and meeting place or otherwise for the association and accommodation of the councils of the Knights of Columbus and for other charitable, benevolent and social bodies of like character and purposes; also for the establishment and maintenance in said building or buildings of reading rooms, libraries, and rooms for education and social purposes and for the purposes of encouraging social, athletic, educational and literary development of its members and for the presentation and dissemination of the principles of the Knights of Columbus; but this purpose shall not include the right to apply for a license to sell alcoholic beverages." (This organization was given a personal property exemption only, under the "fraternal" category, and not a real estate exemption under the "charitable" category.)

ELKS

"Its objects are and shall be benevolent, social, and altruistic, to promote and encourage manly friendship and kindly intercourse, and to aid, protect and assist its members and their families,

APPENDIX II-3

to inculcate the principles of charity, justice, brotherly love and fidelity; to promote the welfare and happiness of its members, to quicken the spirit of American patriotism; to cultivate good fellowship; to perpetuate itself as a fraternal organization and to provide for its government; and in furtherance of these purposes to erect, maintain, purchase or rent hire lease, let or otherwise acquire or dispose of buildings or structures but not to enter into the real estate business as such, to acquire sell, mortgage, lease or otherwise acquire or dispose of all real and personal property necessary or convenient to said purposes; to enter into the purchase and sale of alcoholic beverages, food, or tobacco, and to do all and everything necessary, suitable and proper for the accomplishment of any of its purposes.

APPENDIX III

EXAMPLES OF GIFTS AND PAYMENTS IN LIEU OF TAXES

Amherst	Amherst College is making an annual declining contribution to the town to ease the impact of recently exempted property (\$66,000, declining through 1985).
Andover	Phillips Academy, \$122,953.40. Abbot Academy, \$14,002.40. Assessed, by agreement, for property not used strictly for school use or purposes.
Boston*	Suffolk University, \$15,000.
Braintree	\$25,000 in lieu of taxes on federal property used by General Dynamics Corp.
Brookline	Brimmer May School, \$500.
Cambridge	Harvard, \$124,699.82. Radcliffe, \$8,984.62. Mass. Institute of Technology, \$247,612.48.
Deerfield	Private school A donates \$100 yearly. Private school B donates \$700 yearly. Private school C accepts 2 or 3 students from the town at \$500 tuition.
Duxbury	Wm. F. Clapp Laboratories of Battelle Memorial Institute gives the town a gratuity, not in lieu of taxes.
Gill	Recently Northfield Schools gave the town \$2,000 per year for 3 years toward purchase of a fire truck.
Groton	\$8,000 determined by the grantor.
Lancaster	Gifts to town of \$500 yearly by the Doctor Franklin Perkins School, at discretion of donors.
Leicester	Leicester Academy, \$1,200 gift in 1969.
Lenox	Gifts from certain institutions are received at the discretion of those institutions, usually after solicitation (Cranwell School, \$1,000; Lenox School, \$500; Meadow Place, \$500).

*Blue Cross - Blue Shield has paid the City of Boston \$35,000 per year since 1960.

APPENDIX III-2

Middleton	Mass. Institute of Technology - 1970, \$2,048.45; 1969, \$2,164.40 (current tax rate on value of land).
Milton	Contribution in lieu of taxes, \$35.26
Newton	For 1969 - Sons of Italy Club, \$250 gift; Brimmer May School, \$500 gift.
Northbridge	\$1,600.
Pittsfield	\$500.
Rutland	Deveraux Foundation, \$5,000 gift.
Sandwich	Quincy YMCA donation, \$500.
Sheffield	Berkshire School, \$1,000.
Southborough	St. Mark's School, \$7,500 gift. Fay School, \$3,000 gift.
Spencer	St. Joseph's Abbey, \$1,300 tax money -- land assessment tax due to acquiring of more land than felt needed.
Stockbridge	Austen Riggs Center, Inc., gift. Town reports "contributions" of \$4,715 in 1968.
Stoneham	New England Memorial Hospital, \$10,000.
Wellesley	Dana Hall School, \$5,000 gift. Babson Institute, \$4,599 in lieu of taxes on \$102,200 valuation at \$45 tax rate.
West Newbury	St. John's Society, \$1,000 annually.
West Springfield	Eastern States Exposition has paid 15% of off-season rentals since 1950, averaging \$12,000 yearly.

APPENDIX III-3

PARTIAL EXEMPTIONS

(As reported in MTF questionnaire)

Andover	Split assessment of taxable buildings on large parcel with taxable land.
Ashland	Twenty-five percent taxed as used for private business according to approval from Department of Corporations and Taxation.
Chelmsford	Elks buildings used quite substantially for charitable purposes and by town organizations rent free.
Danvers	One-third exemption on Danvers Overseas Veterans-partially rented.
Groton	Groton Historical Society-Museum (exempt) - two apartments (taxable). Groton Place-land (exempt) - Rented caretakers house (taxable).
Harwich	Pilgrim Lodge AF & AM (Masonic) Lodge Hall on second floor exempt - Balance of property used commercially.
Marion	Art center rents upstairs of center building- Masonic lodge rents stores downstairs.
Milton	Milton Hospital.
Newton	First floor of Masonic building.
North Adams	One building used partially for commercial and church purposes.
Pepperell	Tax part of a garage owned by a church and rented to the town. Tax one of two parcels of land that go with a parsonage.
Pittsfield	White Tree Club.
Provincetown	Masonic Lodge building and Knights of Columbus building.
Salem	Partial exemptions reflect only that portion exempt from the entire total assessed.

APPENDIX III-4

Southbridge	YMCA.
Stoneham	St. Germain Foundation is assessed for \$22,825-Exempt portion valued at \$18,750.
Westfield	Two private operations leasing airport land and buildings pay taxes on the value of their buildings, but it is offset by reduced rentals.
West Newbury	Total value of Grange property is \$16,185 which is taxed on excess over \$14,685 or \$1,500.
Wilbraham	Total value of partially exempt property - \$174,000 Exemption allowed on valuation of - \$100,000 Assessed for - \$ 74,000

Massachusetts Taxpayers Foundation, Inc.
145 Tremont Street
Boston, Massachusetts 02111

QUESTIONNAIRE ON EXEMPT PROPERTY

PLEASE THE FOLLOWING QUESTIONS APPLY ONLY TO PUBLIC AND PRIVATE PROPERTY USED
NOTE: FOR EXEMPT PURPOSES (ALL PROPERTY LISTED ON FORM 121), AND NOT
EXEMPTIONS FOR INDIVIDUALS.

EXCEPT AS OTHERWISE INDICATED, PLEASE USE 1969 DATA. IF NOT AVAILABLE,
USE DATA FOR THE LATEST YEAR.

1. What is the approximate total land area exempt from taxation? _____
2. What is the total exempt property valuation?
 - a. Real estate: 1969 _____ 1970 (if available) _____
 - b. Tangible personal property: 1969 _____ 1970 (if available) _____
3. Does the total include any partial exemptions granted on real estate used partly for exempt and partly for taxable purposes (excluding parsonages)? _____ Examples: _____
4. What do you estimate to be the ratio of the valuation of exempt real estate to its full and fair value? Buildings? _____ Land? _____
5. In valuing exempt real estate, to what extent do you depend on the following?
 - a. Replacement cost
 - b. Original cost
 - c. Sales data
 - d. Figures supplied by owners of exempt property on ABC Forms
 - e. Other (please explain)

6. What is your practice in regard to revaluing exempt real estate?
 - a. Annual comprehensive revaluations
 - b. Annual adjustments on a selective basis
 - c. Occasional comprehensive revaluations at regular intervals (include date of latest revaluation)
 - d. Other (please explain)
7. Does your town or city receive any payments from private exempt institutions in lieu of taxes? If so, please list the sum paid by each institution and the means by which it is determined.
8. How often do you check on the uses to which exempt real estate is put?
9. Please cite and comment on any examples of exemptions which you have been required to grant which, in your opinion, constitute abuses of the exemption process.
10. Do you have any general comments about the tax exempt property situation in your city or town?

P54

M1 Mass. Taxpayers Foundation.

Institutional property tax
exemptions in Mass. Dec. 1971.

DATE	ISSUED TO
1/1/72	R. A. T. S.

BOSTON
PUBLIC
LIBRARY

